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PROSPECTS FOR THE SOLUTION OF THE CURRENT ECONOMIC PROBLEM OF BRITAIN

Since the end of the war, as during the war, Great Britain has lived in a state of acute emergency. Reduced to bare essentials the problems faced by the United Kingdom consist in the very great increase in the demands on its economic system and the serious shrinkage in the means available to meet those demands. Both of these developments are consequences of the war and its aftermath.

The increase in requirements confronting Britain's domestic and foreign resources is noticeable in all brackets of her national economy. Instead of the 400 thousand men in the Armed Forces in 1938, over a million are required now. Instead of the 16 million pounds spent overseas by the government in 1938, at least 175 million are being thus currently absorbed. Instead of the 30 million pounds paid as interest, etc., to foreign holders of British securities, over 70 million have to be transferred abroad for this purpose today. Furthermore, the swelling of the social services (owing partly to veterans' benefits and partly to the welfare policies of the government) and the political necessity of maintaining a standard of living that, on the average, is not much lower than before the war bring the total civilian outlay well above the prewar level. At the same time, the necessity of repairing war damages and replenishing inventories, as well as the extraordinary wartime wear and tear of productive facilities, have almost doubled (as compared with 1938) the replacement needs of the British economy.

At least equally telling has been the influence of the war on the other side of the ledger—on the means available to meet the enlarged requirements. Owing to the physical composition of Britain's domestic output as it developed over the past century, only a relatively small part of it is designed to be consumed in the British Isles; the balance, consisting mainly of industrial goods, has to be exported in exchange for food and raw materials. The terms

of this exchange are therefore of paramount importance. During the interwar period they were, on the whole, very favourable to Britain. Although the depressed state of world markets during the thirties reduced the total demand for British goods and to some extent caused underemployment in Britain, the relative prices then prevailing enabled Britain to import cheap food and raw materials, at the same time securing relatively high prices for her industrial exports. This situation has drastically changed. Britain, it is true, can sell abroad everything she is able to export, and the prices of British exports have risen significantly. The cost of British imports, however, has soared even more, with the result that for the same amount of domestic effort Britain today receives from abroad less food, fewer raw materials, fewer services, than before the war.

Yet, even with the exceptionally favourable terms of trade enjoyed by Britain before the last war, Britain's relatively high standard of living was made possible only by her earnings abroad and some liquidation of her foreign assets. From these sources were obtained 300 million pounds in 1938, or 6.5 per cent of the British national expenditure. Between September 1939 and June 1945 the necessity of selling foreign investments and accumulating sterling liabilities to foreigners in order to meet war expenditures resulted in a reduction of Britain's foreign assets at a greatly accelerated pace—by about 4,500 million pounds. Annual revenue from abroad on account of interest, dividends, etc., diminished by about 50 million pounds. The gap between total available resources and requirements thus took on dangerous proportions and in 1946 it amounted to 400 million pounds, which had to be borrowed abroad.*

* Gross foreign borrowings, including drafts against the American and Canadian Government credits, amounted to 532 million pounds, but there were offsetting credit items totaling 132 million.

There are four ways in which this deficit might be reduced or eliminated:—

(1) The terms of trade might improve sufficiently to provide the British with more imports for the same quantity of exports. Such a change, however, clearly depends, not on the British themselves, but on the relative prices prevailing in world markets. There is no reason to expect early relief from this source. Moreover, any shift of relative prices in Britain's favor might well be accompanied by a slump in the demand for British goods. The net result of these two opposing tendencies cannot be readily predicted, but it cannot be assumed that it would necessarily mean a material improvement in Britain's over-all position.

(2) British output might be increased, either by raising the production of goods for the home market from domestic resources, thus reducing import requirements, or by expanding the volume of commodities available for export. Both have been the objective of the production drive of the British Government during the past two years. But while reconversion and the restoration of output to prewar levels have on the whole been successful (Britain's production today, indeed, may be even larger than in 1938), the effort to lift production further is encountering formidable obstacles.

Most important of these obstacles is the shortage of coal. From 228 million tons in 1938, Britain's output dropped to less than 190 million tons in 1946, or barely sufficient to take care of her domestic requirements at the present high employment level. It leaves nothing for exports, which before the war amounted to over 40 million tons of coal a year. The reasons for the coal deficiency are peculiar to the coal mining industry only in part. To a large extent they are the same factors that limit output in many other branches of British manufacturing. For example, industrial equipment has been poorly maintained, a large part of it is obsolete, and production methods in some lines are old-fashioned; productivity is therefore low. The imperative modernization of British industry in

order to increase its productivity would require a heavy investment of capital. The circle becomes vicious, since large outlays on machinery would necessitate a further diversion of domestic and foreign resources from immediate consumption. Yet in the absence of such outlays a major increase in total output is problematical. The government therefore intends to carry through a considerable volume of industrial re-equipment, but the ambitious original program has had to be severely trimmed. Concomitantly the earlier goal of raising exports to 140 per cent of the 1938 level by the end of 1947 has had to be abandoned; what is now hoped for is to reach the 140 per cent level by the middle of 1948, but the attainment of even this goal is by no means assured.

(3) *Total requirements might be reduced.* Such a reduction was provided for in the British Government's emergency program. Importations of food, tobacco, gasoline, and films are to be seriously curtailed. Government expenditures abroad (for the maintenance of military establishments in the Near East, Greece, Germany, and elsewhere) are to be reduced, and, as mentioned above, the outlay on imported investment goods will be cut. The total savings that may be thus achieved are officially estimated at about 230 million pounds for the fiscal year 1947-48. The success of this effort to reduce the balance of payments gap, however, depends on a number of factors. The international political situation and the outcome of negotiations with other countries will determine the extent to which the British can curtail their foreign commitments. World price developments in the next twelve months will decide whether the import cuts made will actually save the estimated amount of foreign exchange.

(4) *Foreign resources might be drawn upon to meet the deficit.* The American credit of 3,750 million dollars which was intended to fill the gap for about four years has not achieved that purpose. The expectation that it would give Britain a sufficient breathing spell in which to balance her international accounts by increasing her output as well as by reducing her requirements has proved to be too optimistic: except for 400 million dollars, the credit is already exhausted. The recovery of British domestic production proceeded more slowly than had been expected, the fuel crisis during the winter of 1946-47 in particular constituting a serious setback. Exports increased, but not as much as had been anticipated. Meanwhile governmental expenditures abroad continued on a large scale. A part, even if only a very small part, of the indebtedness to foreigners incurred by Britain during the war had to be repaid. Part of the exports went to countries that were unable to pay for them except in the form of blocked local currencies. At the same time domestic consumption and investment, which had been severely reduced during the war, had to be permitted a moderate increase. Another important factor responsible for the rapid expenditure

SURVEY OF CHINA'S MINERAL RESOURCES

By JAMES A. RABBITT

(Third Part*)

(V.) COPPER

(a) Reserves

The total copper ore reserve of China is estimated at approximately 4,547,000 tons located in the following Areas:

Provinces	Total Amount of Deposit (metric tons)
Hunan	20,000
Hupeh	21,000
Szechwan	47,000
Kweichow	131,000
Yunnan	216,000
Sikang	3,612,000
Sinkiang	no figs. avail.
Liaoning	500,000 (1.7% cu.)
Total	4,547,000

* (Concluded from the two previous issues of November 12 and 19 (Nos. 27 and 28).)

of the American credit has been the great rise in American prices which took place after the credit was arranged. It is estimated that the value of the credit in real terms was reduced by the American price increases since its negotiation by about 30 to 40 per cent. To make matters worse, the hope was not fulfilled that foreign countries would make only moderate use of the permission granted them during 1947, particularly after July 15, 1947, to convert (indirectly) their sterling balances into dollars. There was a "run on the bank."

As a result, Britain still faces most of the problems that confronted her when the loan was granted. Should the new austerity and export expansion program mentioned above succeed, the total gap between British resources and requirements would be narrowed to about 140 million pounds in the coming year. However, another 100 to 125 million pounds a year will have to be provided to meet the dollar requirements of the sterling area.

What are Britain's chances of coping successfully with this deficiency? One line of defence consists of about 2.4 billion U.S. dollars' worth of gold and dollar reserves held by the British Government. While it would be dangerous to reduce this ultimate reserve below some minimum level, it can be and has been drawn upon to help meet present needs. Of the American loan, 400 million dollars are still left, as is an approximately similar amount of the Canadian credit. Other dollar assets could be added to make up a substantial sum for meeting urgent short term requirements. Some further help from

Although no reserve figures are available, there are copper deposits in Sikang Province and 40% pure copper ore has been extracted from the Su-hun Shan deposit near Kashgar (Su-fu).

(b) Production

The 1940 copper production was 1,078 tons, valued at one and a half million yuan. However, the consumption in 1936 amounted to 1,821 tons. The latest figures available for Manchuria give an output of 840 tons of copper ore in 1930.

The two largest producing districts in China are Hweticheh in Yunnan and Penghsien in Szechwan, both having semi-modern smelting plants. The National Government has spent about two million yuan to increase production in Szechwan and Sikang, and an annual production of refined copper, 99.9%, of 3,000 tons annually in each of the above mentioned provinces was expected by 1945.

The British Commonwealth can no doubt be expected and, in addition, some capital funds may be obtained from or through the International Bank for Reconstruction and Development, and some further temporary relief may be had from the International Monetary Fund. There is thus no cause for alarm so far as Britain's short-run prospects are concerned.

Merely keeping the wolf from the door for a few years, however, is no solution of the British problem. A lasting equilibrium between British resources and requirements, with a decent standard of living on the British Isles, can be reached only through a large and rapid increase in productivity by men and machines. Thorough modernization of British industry, as well as its reorganization and reconstruction, to serve the demands of a changed and still changing world market, and temporarily at least, the maximum utilization of British agricultural resources, are the most important signposts on Britain's road to permanent recovery. To accomplish this Britain requires increased domestic saving and investment, as well as dollars to pay for necessary imports of equipment, raw materials, and food. To whittle away available reserves on current consumption unless such a long-range program is in prospect would only mean postponement of her problem. A real solution will depend on the extent to which Britain can concentrate her available resources, together with such help as she may receive from America, on a long-range program of economic reconstruction.

At the Fuyung copper mine in Liaoning, Manchuria, "a vast field of copper deposits was discovered, so that quantitative production of copper is now anticipated."

(VI.) LEAD

(a) Reserves

Although there are no lead ore reserve figures available for China Proper, the metal content of Chinese ores varies from 57 to 62%. In Manchuria there is an estimated reserve of metalliferous ores amounting to 15,000,000 m.t. with a lead content of 5.5 to 70%.

In addition to these reserves an extensive deposit is reported at Kuang-tungkou in Liaoning Province which is said to contain lead, 4 to 8%, zinc, 37 to 50%, plus silver. Apparently native mining and smelting only have been practiced at this place, so we have not included it in our reserve estimate of 15,000,000 m.t.

(b) Production

The mine production of lead was 6,000 tons in China in 1939, and Manchurian lead ore production is given as 3,634 m.t. in 1936, making a total of 9,634 m.t. for all of China.

The most important lead and zinc mine is located at Shuikoushan in Hunan Province. The lead ores produced are mostly smelted by the Changsha Lead-Smelting Plant.

Actual lead production in China in 1939: 6,000 tons (lead or zinc content 57—62%). Production in Manchuria in 1934: 3,634 tons (potential of Manchuria 58,575 t.).

(VII.) ZINC

(a) Reserves

No reserve figures are available for Hunan Province, reported to be the largest lead and zinc producing region in China, nor are there reserve data for Kweichow and Yunnan. The metal content of Chinese zinc ores varies from 36 to 42%. However, a deposit of 1,680,000 tons of zinc ore has been reported in Sikang. The total Manchurian zinc ore reserve is estimated at 15,000,000 m.t. with a zinc content varying from 6 to 50%.

(b) Production

Actual production of zinc ore in China was 13,299 tons in 1934, but the Chinese Government proposes to produce 3,200 m.t. of metallic zinc rather than export the ore as has been the practice in past years.

No production figures are available for Manchuria but the production capacity is 27,300 m.t. of metallic zinc.

The Shuikoushan mine in Hunan is reported to be the most important zinc producer in China. The zinc ores are partly smelted at Sungpo by native methods, and in the pre-war period a great part of the ores were exported.

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(VIII.) TIN

(a) Reserves

The tin reserves of China are estimated to be 1,417,000 m.t., of which approximately 1,000,000 m.t. are located in Yunnan and 417,000 m.t. in Kwangsi, Hunan, and Kiangsi.

(b) Production

China ranks first in production for those countries operating outside of the International Tin Committee.

There are three main tin producing districts in China, the largest at Kweichow mines in Southern Yunnan which produces approximately 90% of China's tin, Hunan Province and Kwangsi Province.

A modern smelting plant was established at Kweichow in 1932 by the Government and the Yunnan Tin Company, having an annual capacity of 2,000 tons in 1935.

Tin was made a Government monopoly in 1940 through mergers and the formation of the Yunnan Consolidated Tin Corporation, as a result of credit loans from the United States.

Tin-Production 1930-1940

1930	6,860 long tons
1932	7,406 " "
1934	8,145 " "
1936	10,664 " "
1937	10,457 " "
1938	11,246 " "
1939	11,000 " "
1940	18,000 m.t.

(c) Potential

China being outside of the International Tin Committee and inasmuch as tin has been made a Government monopoly, it is quite probable that with the adequate reserves and the present and future needs of the Chinese Government for building up exchange balances abroad to purchase machinery and equipment, that production of tin is most likely to be stepped up.

(IX.) GOLD

(a) Reserves

The Chinese National Government has, since 1938, encouraged prospecting in the Provinces of Sikang, Szechwan, Hunan, Honan, Shensi, Kwangsi, Sinkiang, Chinghai and Kansu.

This prospecting has been under the Gold Mining Administration, established in May, 1939, under the Ministry of Economic Affairs.

The Sinkiang gold reserve has been optimistically estimated at 31,300,000 ounces and the annual production 50,000 ounces.

There is also a gold deposit reported at Nanking in the Purple Mountains but no figures are given.

At the Taolinshui Mine in Jehol there is a refinery with a capacity of 3,000 m.t. of gold ore a month.

The total Manchurian gold deposits are given as 3,525 metric tons of placer gold occurring in Heilungkiang and North Kirin Provinces, with a production of 116,054 ounces in 1936.

(b) Production

The annual production of gold in 1940 was estimated at 350,000 ounces.

It was expected that the production would be increased to 1,100,000 ounces by 1941 as a result of the new gold fields opened up in Sinkiang, Sikang, and Yunnan provinces through financial assistance given to private companies by the Gold Mining Administration.

Ninety-five percent of the gold mined in China comes from alluvial mining, and is subject to Government control through agents who are stationed in all producing centers. Even with this precaution, however, there is gold which finds its way to the black market.

(X.) MANGANESE

(a) Reserves

Manganese ore reserves in China are estimated at 22,500,785 tons, having an average metal content of 45% and are located in Hunan, Kiangsi, Kwangtung, and Kwangsi. Almost all the manganese ore was exported in the pre-war period.

Recently, a manganese vein estimated to contain over 10,000,000 m.t. was discovered in Chinghsien, Chinchow (Liaoning), Manchuria. Thus, the total manganese reserve is approximately 32,500,785 tons.

(b) Production

Although China has sufficient manganese for her limited iron and steel industry potential, she ranks only among the "others" in World production.

The production of manganese ore for the years 1932-37 is given in the table below:

	China m.t.	Manchuria
1932	20,951	60
1933	9,391	756
1934	1,669	653
1935	?	600
1936	?	355
1937	120,000	

(XI.) NICKEL

A nickel deposit of 340,000 tons has been reported in Sikang Province.

(XII.) TUNGSTEN

(a) Reserves

China is first in the world supply of tungsten. The deposits in Southwest China, discovered during World War I, are the richest known reserves, and recently there have been reported additional deposits in Southern Kiangsi of four times the amount hitherto known.

The available tungsten reserve estimates for China amount to 4,170,255 tons, located in the following Provinces:

Southern Kiangsi	4,000,000 tons
Hunan	21,400 ..
Kwangtung	148,855 ..
Total	4,170,255 tons

Deposits of ore containing 4.6% tungsten have been reported recently in Shuyen and Fencheng in Liaoning but no reserve figures are available.

(b) Production

China's position in the production of tungsten amounts to 40 percent of the world's supply. This commodity constituted one of the principal exports by which China covered wartime credits advanced by the United States Government.

Production 1932-40

	m.t.
1932	2,210
1933	5,698
1934	6,305
1935	?
1936	7,050
1937	17,895 (exports)
1938	13,387 "
1939	11,580 "
1940	13,700

A breakdown of the 1940 production is given in the following table:

	m.t.
Kiangsi	5,000
Hunan	1,200
Kwangtung	4,000
Kwangsi	2,500
Yunnan	1,000
Total	13,700

(XIII) MERCURY

Leith lists China as having sufficient mercury to export, and their production is equal to that of Russia. With their planned production potential of 500 m.t., China will, no doubt, have a sufficient amount to meet all demands created by industrial development for some time to come.

(a) Reserves

Mercury deposits are located in the Fenghuang district of Hunan Province and the Tungjen, Shengchi and Pachai districts of Kweichow Province where the Kweichow Mining Administration is developing new mines. No total reserve figures are available.

(b) Production

1940	170 m.t.
1941	225 m.t.

(XIV.) ANTIMONY

(a) Reserves

Like tungsten, China is one of the world's leading producers of antimony. The reserves have been variously estimated without regard to grade from 3,700,000 tons down to 1,400,000 tons of ore.

The principal deposits, estimated as containing from 70-80% of all of China's reserves, are located at Hsiukuangshan in the Sinkua district, Hunan.

In 1921 Tegengren made a tentative estimate of the reserves at 3,000,000 tons of ore with a metal content of 1,300,000 tons in the Hsiukuangshan ridge. He also estimated an additional 3,000,000 tons of ore with a metal content of only 150,000 tons. Tegengren made no attempt to estimate other antimony deposits in other districts. In the August, 1941, issue of the Far Eastern Review, however, the reserves in two other districts of Hunan Senghua and Yiyang, are given as 2,500,000 tons without noting the grade.

If this quantity is added to Tegengren's figure of 6,000,000 tons, we have the extraordinary figure of 8,500,000 tons of antimony ore. From Bain's report on Tegengren's estimate, it is not exactly clear whether the 3,000,000 tons of low-grade 5% ore is intended to cover the districts of Senghua and Yiyang for which we now have the figure of 2,500,000 tons. If so, the Tegengren estimate plus the Far Eastern Review report would make a total of 5,500,000 tons of ore which is still higher than the total estimated reserves for all China by various other authorities.

Taking the most recent conservative estimate (Cressey) of 1,415,500 m.t. for the ore at Hsiukuangshan and adding the ore reported by the Far Eastern Review for Senghua and Yiyang districts of 2,500,000 tons, we have 3,915,500 tons or approximately 4,000,000 tons of antimony ore which we think is a reasonable estimate of the total reserve.

(b) Production

The production of antimony was at its peak during World War I, exports having reached 30,000 tons a year at that time. Even as late as 1929, exports were 23,000 tons. The Minerals Yearbook, Review of 1940, gives the following figures for the estimated antimony production:

Year	Production	Exports
1935	?	18,501 m.t.
1936	16,348 m.t.	17,038 m.t.
1937	14,702 m.t.	15,146 m.t.
1938	7,797 m.t.	7,983 m.t.
1939	6,497 m.t.	6,750 m.t.
1940	5,494 m.t.	?

However, the Foreign Minerals Quarterly, October, 1941, gives the 1940 production of antimony regulus as 7,137 m.t. The antimony production given above is apparently the total of the crude, regulus and oxide produced. We find no breakdown of these three forms applying exactly to the total figures given above. In one estimate for 1936 of 17,100 tons, the proportion of these three forms was given as:

Regulus	13,000 tons
Crude	2,700 tons
Oxide	1,400 tons
Total	17,100 tons

The percentage of antimony in these forms is: regulus, 99%, and crude, 70%.

(XV.) BAUXITE AND ALUMINUM INDUSTRY

There are many reports on bauxite and alumina shale in China and Manchuria, but the data is vague and confusing. For instance, Rowe reports the bauxite deposits of Shantung as 271,000,000 tons and 461,000,000 tons for Manchuria and Kansi, making a total of 732,000,000 tons; quoting a Chinese source not available for this survey. The quality of bauxite in Kansu is reported to be as 22.57 to 38.52% aluminum and for Manchurian ores as from 40 to 58% aluminum. We have no way of squaring these figures except that for the Manchurian ores, a Japanese source gives the actual results of aluminum production from the bauxite mined near Yentai in Manchuria as capable of producing one ton of alumina from four tons of bauxite which is double the quantity of Netherlands East Indies bauxite required for one ton of alumina. Inasmuch as it takes two tons of alumina to make one ton of aluminum, it would mean that the aluminum content in the Manchurian bauxite would be at the ratio of eight tons of bauxite to one ton of aluminum. This is definitely not in line with the report of 40-58% aluminum in the Manchurian bauxite.

There is also considerable confusion as to whether these Manchurian reserves are in alumina shale from which the Japanese have produced some aluminum but with considerable difficulty. One Japanese source gives the reserves of alumina shale in Manchuria as 120 mil-

lion metric tons and another as 25 million metric tons, the latter being broken down as follows:

Liaoning:—

	Quantity	Grade %
Yentai	1,034,000 m.t.	45-41.3
Penhsihu	3,202,000	40-47.3
Niusintai	9,382,000	46.4-52.5
Shaoshin	5,930,000	45.3-55
Others	5,770,900	37.2-55
Total	25,318,900 m.t.	

Japanese plans for the production of aluminum in Manchuria included a plant at Fushun for producing 4,000 tons of aluminum from the shale at that place and a second plant at Kirin capable of producing 16,000 tons of aluminum annually making a total of 20,000 tons of aluminum for Manchuria.

If the many assumed projects are soundly planned with sufficient supplies in reserve, it is reasonable to expect that the post-war potential for aluminum in China and Manchuria might be in the neighborhood of 48,500 tons. However, we are not convinced that the Japanese ever did get satisfactory results from their aluminum plants in Manchuria, and we have not seen any report from reliable sources as to good quality bauxite being found in China.

(XVI.) MAGNESITE

(a) Reserves

There are rich deposits of magnesite in Manchuria which have been used by the Japanese for developing their magnesium industry. In a belt of land with a surface area of approximately 60 square kilometres between a line drawn north-east from Tashihichiao and another line drawn north-east from Niuhsinshan, four kilometres south of Tashihichiao, there lies a vast district of magnesite with estimated deposits of 13,600,000,000 m.t., perhaps without parallel in the world both in quantity and quality. The seam at Kuanmashan is over 700 metres thick and has reserves of 93,200,000 m.t. The magnesite found here is excellent, being a pure carbonate magnesite containing but little iron, alumina and lime, and is probably the first in the world in purity.

The following table lists the principal deposits of Liaoning (Manchuria) with deposits amounting to 579,442,000 metric tons.

Magnesite Deposits		
Deposit		Magnesite
Chingshanpei	40,000,000 tons	46.78%
Hsiao Sheng-shuissu	200,000,000	46.31%
Kuanmashan	93,200,000	46.36%
Paihushan	24,652,000	45.64%
Niusintai	1,590,000	45.72%
Shengshuissu	70,000,000	45.06%
Pingerhfang	150,000,000	48.03%
Total	579,442,000 tons	

(b) Production

It has been known for many, many years that there are extensive reserves of magnesite in Manchuria as shown by the success of the Japanese in the production of magnesium which started in 1939 with 3,000 tons and has increased by rapid stages to 15,000 tons a year by 1941.

(XVII.) GYPSUM

China's gypsum production is shown in the following table: (in tons):—

	1932	1933	1934
Hupei	57,996	57,600	58,020
Hunan	3,512	4,300	7,100
Shansi	2,900	2,000	2,500
Others	100	120	100
Total	64,508	64,020	67,720 tons

The Minerals Yearbook, Review of 1940, gives the total gypsum production of China in 1936 as 68,800 tons.

(XVIII.) FLUORSPAR

Fluorspar is chiefly produced in Chekiang Province, about 4,000 to 5,000 tons a year. The average mineral content of the ore is more than 80%. The ore is almost entirely exported.

(XIX.) SULPHUR

Sulphur is widely produced, both as a by-product in Hunan and from pyrite in Shansi, southwestern Hupei, Kweichow, and elsewhere. The output in 1940 reached 10,000 metric tons, but the actual total may have been several times that figure. Much of the sulphur content of the pyrites is wasted by the native smelting which can, at the best, only extract 50% of the total sulphur content.

(XX.) SALT

Salt was a Government monopoly in China several hundred years prior to the Christian era.

The bulk of China's salt is obtained by solar evaporation of sea water along the coast north of the Yangtze where the humidity is low. There is also a small quantity obtained from salt lakes in the interior including Manchuria, Mongolia, and Shansi. In Szechwan there are numerous brine wells from which about 425,000 tons of salt a year is extracted. There are saline rocks in Yunnan which are mined and leached for salt, but the total production in that Province is only 35,000 tons a year by this method.

The annual production of salt in China is given in the following table:

Salt Production	
(in short tons (2,000 lbs.))	
Shensi	unknown
Shansi	98,000
Hopei	330,000
Honan	unknown
Shantung	420,000
Kiangsu	560,000
Chekiang	280,000
Fukien	84,000
Hupei	14,000
Szechwan	425,000
Kwangtung	266,000
Yunnan	35,000

Ningshia	6,000
Kansu	17,000
Chahar	15,000
Suiyuan	unknown

Total 2,550,000 tons

(XXI.) ASBESTOS

Asbestos, mostly belonging to a kind of chrysotile, is found in many localities. The main producing areas are the Laiyuan district of Hopei and several districts in Suiyuan, with a yearly production of not more than 500 tons.

(XXII.) GRAPHITE

Graphite occurs in two types: The first type is the metamorphosed carbonaceous beds or coal seams and the second type exists in gneiss as constituent mineral. Graphite of the second type is much better in quality and is found in the Pingshan district of Hopei, Laiyuang district of Shantung, and several of the districts in Suiyuan. The first type is found in the Provinces of Hunan, Hopei, Kiangsu, Honan, and Shensi.

(XXIII.) CEMENT INDUSTRY

The China Year Book, for 1938, reported the Chinese Cement industry as capitalized at over \$15 million, producing 1,539,000 bbls. or about 262,248 metric tons.

There were but six plants with locations and outputs as follows:

Annual Output (bbls.)	
Hopei:—Tangshan	600,000 bbls.
Shantung:—Tsingan	75,000
Anhui:—Nanking	144,000
Kiangsu:—Shanghai	360,000
Hupei:—Tayeh	360,000
Kwangtung:—Canton	—

Total 1,539,000 bbls.

This capacity for a country of the size of China is significant of the lack of modern buildings and public works in that vast land at a time when Japan with less than 10% of China's area and ¼ of its population had a monthly cement production capacity of 600,000 m.t., or a yearly output of 7,200,000 m.t.

According to the Minerals Yearbook, Review of 1940, the reported cement production capacity for China Proper and Manchuria are:

China	1,170,000 m.t.
Manchuria	1,110,000 m.t.

2,180,000 m.t.

The war pushed cement making to the West and South. The demand in Free China was estimated at 897,000 bbls. To make up the shortage, three new plants were reported under construction in 1940 in Yunnan, Kwangsi, and Western Szechwan. Two more plants were planned, one in Sikang, and one in Kweichow. By 1941, the Kansu Provincial Government had established the Kansu Cement Works, capitalized at 4.5 million yuan, financed by the National Resources Commission and the Bank of China.

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HONGKONG TEN-YEAR DEVELOPMENT & WELFARE PLAN

Under the *Colonial Development & Welfare Act, 1945*, the United Kingdom Government provided for a total expenditure of £120 million over the ten-year period ending March 31, 1956. This amount has been allocated under three headings: (1) *Central Schemes*: £23½ million. (Services which are provided under central control such as: research, higher education, training schemes, geodetic & topographical surveys, aeronautical, wireless, meteorological services, nutrition, forestry, etc. services). (2) *Allocations to individual Colonies*: £85 million. Hongkong obtained out of this allocation £1 million (1.18% of the total allocation). (3) *General Reserve*: £11 million (For supplementary allocations either to (1) or (2)).

The principles of the *Development Plan* are:—(1) Raising the standards of health, education, social welfare and general well-being of the peoples living in the Colonies, based upon improved economic efficiency and increased production. (2) Utilisation of the available natural resources to the greatest extent possible. (3) Expanding of opportunity for enterprise and endeavour.

Besides the allocations made and to be made by the United Kingdom Government the following resources may be made available in order to achieve the greatest results from most comprehensive planning: (1) *local revenue sources*, (2) *public loans*, (3) *resources from private trade and enterprise*. Thus the total cost of development that can be embarked upon will be considerably greater than the total expenditure of £120 million in the case of all Colonies or the preliminary allocation of £1 million in the case of Hongkong.

Hongkong Government established a *Development Committee* in July 1946 for the purpose of drawing up a *comprehensive Ten-Year Development and Welfare Plan*. The terms of reference of the Development Committee were as follows:

(1) To examine and make recommendations to Government in respect of the draft schemes which have been put forward by Heads of Departments in connection with the allocation to this Colony of the sum of £1 million under the provisions of the *Colonial Development and Welfare Act, 1945*.

(2) To prepare for the consideration of Government a plan covering all the objects of development and welfare expenditure in this Colony during the next ten years. The preparation of this plan is to be carried out in accordance with the instructions of the Secretary of State for the Colonies as conveyed in his circular despatch of November 12, 1945, on the subject of the *Colonial Development and Welfare Act*.

The Chairman of the Development Committee is Dr. G. A. C. Herklots who is Secretary for Development. The Committee consists of 9 ex officio members and 5 Government officials (the heads of the departments of Finance, Chinese Affairs, Education, Public Works, Medical Services).

Every Colony's comprehensive development plan, according to instructions by the Secretary of State for the Colonies, has to be graded in a few *priority categories* so that available funds are devoted to the most important developments. In the case of Hongkong, *housing and town planning* is regarded as top priority.

It is, therefore, possible that Hongkong housing and town planning will receive priority attention in London and the *financing of the plans*, at present under study (see elsewhere in this issue "Government Planning for Modernisation of City and Port"), may be undertaken from funds already received (£1 million), as well as from future local revenue sources, a new public loan and private capital participating in the town and port development of the Colony.

All Colonial development plans are first considered by the *Colonial Economic & Development Council*, which is a committee of experts established by the Colonial Office, and after examination they pass for decision to the Secretary of State for the Colonies and H.M. Treasury.

HONGKONG AVIATION REPORTS

Aircraft, passenger and freight traffic at Hongkong Airport, Kai Tak, for the month of October was as follows:—

	In	Out	Total
Passengers ..	4,964	4,324	9,288
Aircraft ..	302		
Commodity	Import	Export	
	(kgs)	(kgs)	
Jewellery ..	14	—	—
Chemicals & Drugs ..	2,217	2,822	—
Chinese Medicine ..	413	777	—
Dyeing & Tanning ..	1,133	15,760	—
Foodstuffs & Provisions ..	964	352	—
Hardware ..	1,646	2,682	—
Minerals & Ores ..	221	35	—
Nuts & Seeds ..	—	23	—
Oils & Fats ..	4	4	—
Paints ..	—	—	—
Paper & Paperware ..	4,288	10,950	—
Piece Goods & Textiles ..	5,428	4,201	—
Wearing Apparel ..	4,585	2,759	—
Gold Bullion ..	—	—	—
Banknotes ..	—	—	—
Sundries ..	12,201	21,393	—
Total ..	33,114	61,758	—

Progress in local aviation has been remarkable and the October figures encourage optimism in the future of civil air transport. Arrival of

civil air aircraft in October were by far the largest since the end of war. Passengers carried inward and outward came up almost to the record figure of last August (when the local Engineers' Institute strike paralysed the Railway for several weeks) and the freight business boomed, reaching 95 tons of commercial cargo.

The impending start of new air routes connecting the Colony with Far Eastern and overseas places is bound to stimulate air transportation and increase passenger and freight traffic.

Air Transportation Agreements with China

After China signed air transportation agreements with the U.S., Britain and an interim agreement with France, negotiations with other countries are underway. An aviation pact with the Philippine Republic is to be finalised soon; meanwhile Chinese and Philippine planes are allowed to call on Manila and Shanghai respectively.

The Netherlands-China air transport agreement has already been ratified by the Executive Yuan, Nanking, and is to be signed in December. It is expected that scheduled air services by the Royal Dutch Aviation Co. between the Netherlands Indies and points in China will be inaugurated early in 1948. The Dutch planes will call on Hongkong en route for China.

Aviation Statistics for January to October 1947:—

	Arrivals	PASSENGERS		FREIGHT (in Kilograms.)	
		In	Out	Import	Export
January ..	172	1,381	991	16,705	14,592
February ..	104	909	662	13,255	15,739
March ..	141	1,985	1,127	25,473	18,541
April ..	185	2,590	2,797	41,477	18,043
May ..	216	3,257	2,916	50,613	21,149
June ..	201	3,202	2,724	24,493	31,848
July ..	254	4,233	3,770	18,493	21,424
August ..	253	4,997	4,406	25,206	34,877
September ..	257	4,482	4,278	20,463	51,807
October ..	302	4,964	4,324	33,114	61,758
Total ..	2,085	32,000	27,995	269,592	289,778

REAL ESTATE MARKET REVIEW

HIGH COST OF LAND AND HOUSES IN HONGKONG

PROGRESS OF BUILDING CONSTRUCTION—KEY MONEY RACKET'S —SHORTAGE OF OFFICE ACCOMMODATION

Land transactions and building constructions in the Colony have been going on with unprecedented speed during the last three months and the turnover of land and house sales was far larger than during any period since liberation. In many cases unnecessary expenses were incurred, however, and unusually high land prices were very much in evidence.

Three months ago landlords and real estate investors were reluctant to go into any big scale construction other than effecting repairs to looted and war-damaged premises. During the last 8 to 10 weeks the situation was completely changed and investors are now more than willing to erect new European and Chinese style apartment and tenement houses, residences and office buildings in entire disregard of construction costs which remain still high.

Most of the damaged and looted houses in the Peak area, Shaukiwan, Causeway Bay, Wanchai, West Point and Upper levels on the Island as well as those in different sections on the mainland have been or are now being repaired and fully rehabilitated; those houses and other premises damaged beyond repair have been pulled down, and in their stead some new buildings have been constructed or are now in process of construction. Many premises especially in Causeway Bay area, in Tsimshatsui (Kowloon) etc. are among the finest buildings existing in

the Colony and the plans of local architects for buildings now under construction are envisaging the erection of most modern residences and factory buildings.

High Prices

The advance in prices for land and houses is largely a consequence of genuine stimulation; speculation in land was almost absent from the local scene although a few Chinese financiers have taken recently advantage of the opportunities which offered and made handsome profits within a matter of weeks. The abrupt advance in real estate prices was however in no way caused by speculative land purchases but by genuine inquiry and by owners' land purchases, construction of residences, apartment houses and factory buildings.

The demand for houses was pent-up for many months and had to be released one day. There continues an extreme shortage of buildings of every kind and only the high cost of local labour and the only slowly decreasing cost of imported building materials had so far deterred the public from starting large-scale rehabilitation and new building. Once, however, a few building contracts were given out and constructions were slowly rising in various parts of the Colony, furthermore the conviction slowly gained that no considerable reduction in construction costs can be hoped for within another year, the local building interests were sufficiently stimulated to abandon their previous wait-and-see policy and came out with their orders. The legislation (Landlord and Tenant Ordinance) permitting higher rentals and exempting from control new structures or such houses where a high degree of rehabilitation was performed, introduced another favourable element into the building trade of Hongkong.

A Vicious Circle

Owners of new or thoroughly rehabilitated buildings are charging very high rentals which are out of proportion with the ordinary cost of living. These charges are supporting the maintenance of high salaries and unintentionally counteract the policy of lower cost of living. Here is another vicious circle: by encouraging new constructions in a community which suffers from lack of housing and exempting these from rent control, the landlords are free to charge what the traffic can bear; since the housing shortage is acute many tenants are willing, although not really able, to pay rent which is out of proportion to their income, sacrificing other neces-

saries or adding from their substance. Any attempt by the employers to reduce salaries will necessarily meet with opposition on the part of those who pay high rent. Thus, if high rent can be reduced, cost of living will decline and production stimulated. On the other hand, if rents are to be decreased the strong interest in buying of land and erection of houses will diminish. One of the principal inducements for quick building of apartment houses and other residential premises is of course the good chance to recoup the construction costs within a short time, utilising the current housing shortage and absence of any restrictive legislation with regard to rent.

Key or Tea Money

The general though illegal practice of charging key money (or tea money, shoe money, etc.) for premises to be let out by landlord or chief tenant—a curse afflicting every community suffering from housing shortage—has also greatly stimulated the current building boom. Often key money demands were so high that building of flats appeared to be only slightly dearer. Families with some spare capital who desired to make Hongkong their home, at least for several years, were well advised to build houses and not to pay extortionate key money to landlords who abused their strong position.

Key money has become particularly oppressive during this year when the influx of Chinese from the north encouraged the holders of precious housing space. The disturbances in China have furthermore convinced landlords that immigration will continue and thus lack of accommodation is bound to remain acute. New constructions ought, to some extent, relieve the pressure but the number of immigrants might be at least commensurate to the number of available new housing space.

There is no legal provision here with regard to immigration by Chinese who may come here in any number; however, Europeans and non-Chinese people are prohibited from travelling to Hongkong, even for a limited period except if special permission is obtained from the Immigration authority who is always anxious to reduce the non-Chinese population by various means at its disposal. The housing shortage and the key money racket naturally affects the Chinese residents and immigrants more severely and their complaints are vociferous; the comparative handful of Europeans are on the whole not so ambitious as to require ample living space and hundreds continue sleeping in hotels and boarding houses, two and three to a room.

Other countries whose air lines are operating in the Far East will also conclude air transport agreements with China on the basis of the previous agreements made with the U.S. and Britain.

BOAC SERVICES

The BOAC service will be extended shortly to Tokyo. A survey flight has been made this week. A special plane under command of Captain Rudd has flown to Iwakuni airfield and will return with Mr. A. D. Bennett, Hongkong Manager, and Mr. J. W. S. Brancker, head of BOAC's Eastern Division, who are in Tokyo discussing the start of the service with SCAP.

BOAC is to take over the air mail service to Japan, until lately handled by the RAF and now in suspense since the SCAP order limiting air mail service to commercial aircraft.

The Hongkong Airways' thrice-weekly service to Shanghai is to go into operation on December 2, to be followed soon by the scheduled service to Canton

Land Purchases and House Construction

A Chinese trading firm recently purchased a piece of land along the tram line in Wanchai for some \$500,000. It worked out at about \$30 per sq. foot and part of the land was set aside for building six four-storey Chinese tenement houses consisting each of 24 flats. According to the size of the space on which the six houses are being built, the land for this particular place (excluding the site reserved for building a warehouse) is worth \$300,000. The management of this trading firm anticipated to charge \$8,000 key money for each flat and \$250 monthly rental. Should the 24 flats be all taken up by interested tenants, the company will be able to obtain nearly \$200,000 from key money or two-thirds of the land price it paid for this particular space on which the six houses are being built.

Another instance: In Shing Woo Road, Happy Valley, a three-storey European-style residence is being erected on a site for which the landlord paid \$20,000. Each flat of the three-storey house consists of four bed rooms, one living room, one dining room, plus kitchen, servant room and three bath rooms. There is no doubt that the landlord must have spent a considerable amount, perhaps \$400,000, for such a construction. However, it remains an unjustifiable proposition by the landlord to charge \$45,000 key money and \$800 monthly rental for each flat. The key money thus to be derived from the three flats totalling \$135,000 is seven times the price he paid for the land.

Another instance:—The landlord of a four-storey building in Des Voeux Road, Central, between the Central and Western Markets, has recently effected so-called extensive repairs to his building costing some \$30,000. Reserving two flats for his own use, this landlord told prospective tenants that the "rehabilitation cost" for each flat is \$30,000—the amount of key money one has to pay if interested in any of the flats—plus \$400 monthly rental for each flat. In other words this landlord will be able to make an outright profit of \$30,000 on the repairs he has undertaken, plus higher monthly rentals than those he could get without such repairs.

Another instance:—In Wing Lok Street an enterprising company rented a row of damaged houses from a landlord and repaired the buildings into each one-storey shop premises. The company already made an outright profit of \$20,000 from key money receipts of the shop premises, plus a \$2,000 profit on rentals every month from now on. This \$2,000 will be a net profit monthly since the total rentals the company can collect are much bigger—the remaining sum of rentals which the company collects go to the landlord.

There are numerous other instances in which landlords turn into profiteers with only a few cases having been uncovered by the authorities; the culprits were prosecuted and duly punished. Nevertheless, such nefarious practices are still going on as before and are gradually assuming larger proportions.

Go-Betweens and Agents

Many Chinese and Europeans have made a profession by acting as go-between and so-called agents in brokering of flats and offices. They usually earn a better average monthly income than even well paid office workers.

A 18 feet by 12 feet office space on the mezzanine floor of a building along the tram line between Ice House Street and Pedder Street recently changed hands for \$27,000 of so-called furniture money. The furniture comprises four wooden desks, one file cabinet, eight wooden chairs, two arm chairs. The broker who put this deal through made \$5,400 which amounts to nine months' pay for a \$600 office worker.

Another instance: An ordinary office in one of the tallest office buildings in the central district sold recently for almost \$40,000 tea money; the transfer may eventually cost more since only the chief tenant made this deal and the land company might later put in an additional claim.

Shortage of Office Space

The extreme shortage of office space is plaguing the business community here and most trading firms are willing to put up almost any amount if suitable premises in the city can be obtained. The practice of sharing offices has spread and many firms temporarily accommodate their friends, allowing them desk space and the use of the telephone. However, many merchants are less charitable and have made an industry out of sub-letting and sub-sub-letting their office premises so that they may be able to retire until the return of more normal conditions in the office position here.

Offices have even been established in hotels (with the permission of the management), and on verandahs which partly are encased or still open.

The black market in office spaces is becoming which is a consequence of good business conditions; a large number of new companies are operating here and the deterioration in China which drives businessmen from the north to Hongkong (and elsewhere) increases the office predicament.

There are only few owners of office houses in the central district. The progressive Hongkong Land Investment & Agency Co., Ltd. by far the largest owners of office buildings, have tried their best, and with much success, to relieve somewhat the office shortage and they have maintained a policy of low rentals; the recently

completed three storeys atop Marina House were rented out to the new tenants at double the prewar rate. New constructions of office space in Gloucester Building is before completion and the plans for construction of a huge block accommodating hundreds of offices and several banks have only been delayed on account of the obstruction by an hotel which refused vacating the premises to the occupation of which they no longer are entitled.

While hardly any key money racketeering was observed in office buildings owned by the Land Investment Co. on account of their vigilance and integrity which made it extremely difficult for chief tenants to cash in on the situation and victimise sub-tenants, the office key money business flourished in most other buildings in the central district. In many cases the land owning company participated in office space transactions but usually business is done between the principal office tenant and his prospective sub-tenants or new tenants who take over instead from the land and house owner from the chief tenant. Key money for central district offices ranges from \$20,000 to 50,000 but larger spaces in the most desired buildings have brought even higher amounts.

Offices are also used as dormitories mostly by part of the Chinese staff. However, there are quite a few Europeans who, despairing of a chance to obtain better living accommodation, have put up their "home" in their offices. Some offices have thus been transformed, with more or less artistic skill, into a double purpose accommodation. A number of Chinese managers and partners of firms in the central district have also reserved a part of their offices for living quarters where all modern amenities have been installed.

Exploitation of Sub-tenants

As Chinese immigrants continue to pour into the Colony from Shanghai and North China, the housing shortage becomes more acute. Apart from a few decent individual landlords and reputable land companies the majority of the people who own or control suitable living and office premises have been exploiting the situation to the hilt.

Principal tenants are usually worse than landlords. They overcharge their sub-tenants many times the total rent payable by them to the landlord in addition to occupying the larger portion of the house for their own use. The authorities have managed, through information supplied by outraged sub-tenants, to bring many of the greedy principal tenants to book, have heavily fined them and even sometimes deprived them of remaining tenants. However, the scale of exploitation of sub-tenants by principal tenants is today still as large as ever. Perhaps, 70 percent of the Colony's principal tenants are making undue profits in one way or the other from their sub-tenants.

To rent a cubicle in a Chinese tenement flat in Central District, one has to pay between \$200 and \$500 key money, plus a monthly rental of \$79 to \$150. Even to rent a bed space one may have to pay \$30 \$40 key money and \$10 or \$20 monthly rental.

Many mushroom-like land and house agencies are found in many districts in the Colony, particularly in Kowloon. Along Nathan Road, in Mongkok District, or along Klyne Street, in Shamshuipo, one often finds black boards posted outside certain shops, on which are affixed red coloured papers with Chinese characters describing various rooms, flats and houses available for rent.

From these notice boards, it appears there is no shortage of housing accommodation. However, if one is unwilling or unable to pay sufficient key money, it will be useless to approach these agencies for any of the advertised rooms, flats or houses.

To avoid the legal action, these agencies often advertise in the words: "A four-storey house with modern conveniences in so and so street for sale at so much. One of the flats of the house is vacant for the purchaser." There is nothing legally wrong to advertise the sale of a house for a stated price. But in fact there are no houses available for sale, the advertisement merely wishes to convey that a certain flat is available for rent at so much key money.

Mortgages on Houses

It is estimated that an average of 40 land and house transactions were registered daily with the Land Office in the past two months as compared to an average of 30 transactions daily three months ago. Of course, these transactions include mortgages. Vacant land mortgages are few since banks are not interested in them, but house mortgages are easily transacted.

Two well-known Chinese banks on Des Voeux Road Central are favourites for house mortgage seekers. The interest rates for mortgages charged by these two particular banks run often up to 25% p.a. However, usually some 1.2% per month are charged and paid. In some instances these two as well as some other banks were able to acquire properties when the clients eventually failed to repay loan and interest upon expiry of the term.

Some native banks accepting deposits at a rate of 5 to 8 % p.a. from their clients are often lending this money out to local property owners against an annual interest of 12 to over 20%. The rate charged depends on the security offered; in cases of insufficient security the bank takes a risk for which it charges heavily. The local commercial banks accept mortgages only up to a certain percentage of the estimated value of land or houses and charge from 5 to at most 6% p.a.

When trading conditions here were booming and profits ran as high as 50% merchants could afford to take up loans and pay extraordinary interest but during recent months the profit margin has narrowed and few businesses can be put through at very much over 10% profit. Therefore, merchants have become more cautious when considering loans and only the out-and-out speculator will promise to pay some 20% while banks may now also apply more circumspection when negotiating big loans against mortgages or other securities which amount to considerably less than 100%.

Land Prices

While during the last 2 months sites on the Island advanced by 25%, factory and other sites in Kowloon improved during the same period from 30 to 50%. However, compared to early Spring of this year land prices are today about double. While cost of living during this year showed distinct signs of decline, imported materials are cheaper and unofficial exchange rates on the whole move around the same level, real estate prices have gone up and show no sign of a change in trend. Customers were, as was pointed out above, mostly genuine builders and there was very little speculative interest observed. The high price of land has surprised real estate brokers who did not foresee as firm a trend as actually developed. Here are a few examples of land appreciations:—

The new reclamation along the Wan-chai water front is today \$30 per sq. ft. as compared with \$10 per sq. ft. several months ago, while land in Causeway Bay area near the skating rink costs \$30 per sq. ft. or twice the price of four months ago.

A site in Queen's Road, Central, near Ho Tung Building, recently changed hands at \$400 per sq. ft.; another triangle piece in Cross Street, was bought by Dutch interests at \$58 per sq. ft. (six months ago it was \$20 per sq. ft.).

The Metropolitan Land Co. bought the Underwriters Building in Queen's Road, Central, for \$600,000 in 1938. This building was earlier in the year sold to Chinese medicine manufacturers for \$3.5 million.

In Kowloon, a piece of land in Cameron Road recently changed hands at \$10 per sq. ft. whereas the price some months ago was \$5 only. Land along Nathan Road between the Peninsula Hotel and the Alhambra Theatre was \$5 per sq. ft. a year ago. It gradually went up to \$7, \$10 and \$15 six months ago and is around \$23 now.

The price of land in the factory area of Hunghom has also gone up considerably owing to inquiry by a number of Chinese manufacturers from Shanghai anxious to establish factories here. Three months ago, the average price in

that area for land was between \$5 and \$6 per sq. ft.; it is now \$8-10 per sq. ft. In one particular case, a certain Mr. Lam bought a site of 140,000 sq. feet in Hunghom from a British banking firm for \$350,000 a few months ago and later he resold the site to a Chinese from Shanghai for \$800,000. This site is located on the water front and part of the foreshore is now being reclaimed and a large factory will then be erected. (See also elsewhere in this issue "Industrial Notes & Reports").

Land purchasers seem not to realise that most of the land in Kowloon is liable to the 75-year lease period expiry. Government has not yet made known its policy regarding renewal of leases, but it is certain that Crown rent will be increased considerably after the expiry of the lease period. In other words, a purchaser may acquire a piece of land now at say \$10 per sq. ft. but he may be required after the present lease termination to pay increased Crown rent.

Construction Costs

When compared with three months ago, present construction cost is on the whole about 10 percent cheaper; this was made possible on account of the drop in prices for bath room fittings and timber, though black market cement and locally made bricks have increased in price slightly.

The estimated construction costs for various qualities and standards are between \$2 and \$4 per cubic foot.

In the local construction field, Messrs. Leigh & Orange will introduce a few new aspects by using aluminium made structures to substitute for steel structures as well as new lighting systems for a projected factory building.

Other leading architect firms are also introducing the latest methods and modern designs for construction of buildings in the Colony. Architect firms and individual architects are having their hands full with building propositions and can hardly cope with the increasing number of clients.

Prefabricated Houses

To lower construction costs a special committee consisting of an equal number of government officials, from the Building Ordinance Office and other official departments, and local well-known architects was recently formed for the exclusive purpose of studying the possibilities for erecting prefabricated houses in the Colony. The George Hung & Company applied to the Building Ordinance Office several months ago for importing prefabricated houses from the United States to help in the amelioration of the existing housing shortage. The Company was, however, advised by the authorities to abandon such plans as it was believed here that such houses may not be able to withstand the full force of a typhoon. The Company eventually dropped the scheme.

The cost for putting up prefabricated houses is much cheaper than the construction of ordinary houses up to the standard and meeting the regulations of H.K. Building Ordinance.

The urgency of the housing shortage here does not allow of any dilatoriness. The special committee may soon conclude its findings on the suitability of prefabricated houses in Hongkong. If only the typhoon danger is preventing the immediate importation of these houses, which are available in the U.S. for export, then the American industrialists will supply additional safeguards for such areas where typhoon danger exists. However, there is another consideration in connection with U.S. made "prefabs": exchange. The importation of prefabs would require large amounts of US dollars which are not available from official resources, or at least not for any adequate amount. On the other hand, the need for prefabs requires no elaboration and there will be general interest by almost all local homeless residents to acquire such houses plus the intriguing gadgets which go with it. The report of the special committee is eagerly awaited.

PYROC, LATEST BRITISH BUILDING MATERIAL

A revolutionary new building material has been developed in Britain. Known as Pyroc it is made from lime, cement and vermiculite (a mica obtained in South Africa) and has the outstanding asset that it can be sprayed. This means, in effect, the start of mechanical plastering. When the mix is sprayed on up to eight inches thick it sets sufficiently in 50 minutes to be mechanically compressed to a smooth finish. After three hours it can be painted. Pyroc is, incidentally, cheaper than plaster.

Collectively the other advantages are still more sensational. Pyroc, besides being non-shrinking and non-cracking, will stick to metal or timber as well as to brick. Sprayed on a light wire mesh it gives a strong wall.

One can drive nails into Pyroc, screw into it or cut in with an ordinary saw. It is as fire-resistant as several inches of concrete. When it is sprayed a quarter of an inch thick on timber and blow lamps are applied it takes five or six hours for the timber to begin to char. It never bursts into flame.

Pyroc has been approved by the National Physical Laboratory of Great Britain and is now undergoing tests at the Government's Building Research Station. Although nothing definite can yet be said on commercial production it is hoped that mass supplies may be available within six to 12 months.

GOVERNMENT PLANNING FOR MODERNISATION OF CITY AND PORT

The planned development of the urban areas of the Colony and the modernisation and expansion of the harbour of Hongkong has been officially studied since last year with renewed vigour. The changes which are to be instituted here will be of far-reaching importance. Long-term town planning aims at the elevation of this British Colony to a show place in the Far East.

Town planning has been studied by (1) the Town Planning Section of Public Works Department and (2) by the Housing & Town Planning Subcommittee which was set up by Hongkong Development Committee (under Colonial Development & Welfare Act 1945; vide report elsewhere in this issue).

The recent arrival in Hongkong of Sir Patrick Abercrombie is closely connected with the various town and harbour planning schemes drawn up by both the Town Planning Section and the Sub-Committee. Sir Patrick will outline the general plan and the preliminary work which is necessary and indicate the team which is required to undertake the great task. In our issue of Nov. 12, p. 569, some references to the development of Hongkong with regard to military and naval lands were published.

Sir Patrick Abercrombie

Professor Sir Patrick Abercrombie, M.A., F.S.A., is one of the most distinguished of living architects and town planners. For over thirty years he has been Professor of Civic Design at Liverpool and London Universities. He is a past Vice-President of the Royal Institute of British Architects and their Gold Medalist for 1948. Whilst at Liverpool, he prepared studies of Paris, Vienna, Brussels and Berlin which are still the standard references on these European capitals. At home he has been responsible for preparing plans for the capital cities of England, Scotland and Ireland. The Greater London plan, prepared with the assistance of Mr. J. H. Forshaw, is perhaps his best known work. With the help of Sir Edwin Lutyens, he prepared plans for Hull and he has also prepared a new plan for the city of Plymouth. His work has not been confined to the United Kingdom; with Mr. Holliday he designed the new campus of the University of Colombo in Ceylon and is responsible for plans for Addis Ababa. Recently he has been in Cyprus giving advice on planning on that island. He was responsible for the first English regional planning scheme, that of Doncaster, covering the South Yorkshire coal fields. This initial phase of work resulted in a series of regional reports for the future development of nearly half of England from Cumberland and the Lake District to Bristol in the west and Canterbury in the east.

Government Assistance for Private Builders

The housing shortage has led to a number of private schemes being launched aiming at its alleviation by cooperative building with the help of Government. Crown land has been promised by Government to be sold at reduced prices so that home building is being actively encouraged.

Government is allocating building sites, including particularly Jardine's Lookout and Kowloon Tsai, for building schemes by private treaty at a reduced premium which will vary in accordance with the control or limitation to be exercised on the profits to be derived from any particular scheme. Special consideration is given to bona fide non-profit making associations.

Sponsors of building schemes have submitted a number of technical and financial plans in respect of particular areas to the Director of Public Works. A condition of the grant by private treaty of any lease at reduced premium to permit building in accordance with the needs of the community is that the leases cannot be sold nor the accommodation let or sub-let without specific approval of Government for a period of twenty years from the date of issue.

Government is also assisting by way of alienation by private treaty at reduced premium available individual building sites to citizens who desire to build their own homes. The conditions of alienation include stipulations barring re-sale or sub-letting without permission for a period of twenty years. A further condition of application is that the applicant undertakes himself to live in the house he proposes to build. If there are two or more applicants for any one site it will be awarded by ballot.

THE WHEELOCK MARDEN GROUP IN HONGKONG

With the purchase of over 90% of the shares in the Hongkong Realty & Trust Co. Ltd., the Wheelock Marden Group has acquired the name and the assets of an old Hongkong company which will continue doing real estate business in the Colony. At the same time the Wheelock Marden Group acquired the real estate business of Mr. G. A. Harriman which will be continued under the style of Harriman Realty Co. Ltd. This Realty firm is a 100% subsidiary of the Hongkong Realty & Trust Co. Ltd.

Harriman Realty Co. will transact all branches of real estate business as brokers and valuers, and estate and property agents. The Company will also arrange mortgages of any land and properties in the Colony. The management is ready to assist the public in all matters where advice is sought especially with regard to sale and purchase of properties, renting or letting of houses and factories. One of the principal aims of the new Company is to assist actively in the promotion of Hongkong's building industry.

The managing director of the Company is Col. J. D. Clague, C.B.E., M.C., who has just arrived from England. He will be assisted by Mr. Harriman, a director of the Company, whose long experience in the local real estate market is an invaluable asset; his outstanding business success in transacting sales of sites in every part of the Colony, apartment houses and residences, factory buildings and commercial premises has been spectacular. Mr. Harriman will

be leaving for Australia early in 1948 where he intends to spend his holiday.

Mr. G. E. Marden, the chief executive of the Wheelock Marden Group, has assumed the chairmanship of the Harriman Realty Co. Ltd. in addition to his large number of other duties both here, in China, the United Kingdom and South Africa. Mr. Marden, after acquiring in 1946 an important interest in the old Hongkong firm of Messrs. J. D. Hutchison & Co. Ltd. and recently buying practically all the shares in the Hongkong Realty & Trust Co. Ltd. will spend every year part of his time in the Colony.

The Wheelock Marden Group has substantial interests in the United Kingdom and in the Union of South Africa besides controlling the following 16 limited liability companies which all are registered in Hongkong:—Metal Industries of China; Cornes & Co.; Whangpoo Tug & Lighter Co.; G. E. Marden & Co.; China Ship Breakers; Lunghua Dock & Engineering Works; Oriental Steamship Co.; Concordia Steamship Co.; Summers & Co.; Oriental Mortgage & Finance Co.; Far Eastern Salvage Assn.; Elizabeth Ashley; Yangtze Finance Co.; Wheelock Marden & Co.; Shanghai Tug & Lighter Co.; Eastern Asia Navigation Co.

The forwarding business of Messrs. G. E. Marden & Co. in Shanghai has been organised into Marden Development Co. Ltd. as a company incorporated under Chinese law. Mr. Marden is a director of this China company.

CONDITIONS OF URBAN AND RURAL HOUSING IN HONGKONG

The majority of the urban population lives in the older Chinese tenement houses of Victoria City and of Kowloon. These houses, which are built back to back in rows separated by scavenging lanes, vary in height from two to four storeys, the poorer section of the population being housed mainly in the upper floors. Each floor is sub-divided into rooms or cubicles of not less than 60 square feet and may accommodate three or four families. A communal kitchen is provided, but in the old type of building no provision is made for latrine or ablution accommodation: public latrines and bathrooms have been erected to meet this shortcoming. Buildings of this type are now disappearing, being replaced by more modern structures. Virtually all such tenement houses are owned by Chinese landlords though some of the larger industrial undertakings, both Chinese and European, provide housing for their employees. A large proportion of the City of Victoria was erected in the early days of the Colony when

town planning was little practised even in Europe, and the major defects of housing are due to the absence at that time of planning and of modern legislation. The Buildings Ordinance of 1903 was framed to conform with the standards of structure and hygiene then accepted. In the light of modern practice many of its provisions and many of the buildings originally constructed in accordance with those provisions are out of date. Control of domestic building is now effected by the operation of a newer Buildings Ordinance, introduced in 1935, which provides also for improved lighting and ventilation in buildings originally made to conform with the less advanced legislation.

The urban sections of Hongkong and of Kowloon are divided into five areas, with a Health Officer responsible for the cleanliness of each; the areas are divided into districts and each district is under the charge of a Health Inspector. House to house inspection is part of the Health In-

spector's daily routine and the residents of each house and each storey are required by law to carry out the cleansing of their premises under the supervision of the Health Inspector's staff. Tanks containing kerosene emulsion solution are provided for cleansing purposes generally, and for complete immersion of smaller articles of furniture, such as bedboards. The whole of the urban district was cleansed in this way on many occasions.

Living in the New Territories

The housing of the rural population is very different. Only the urban area is affected by large-scale influxes of population. The population of the New Territories is very stable, and the villages were for the most part built several generations ago. The houses are huddled together, often surrounded by a wall and sometimes by a moat; many of the walled villages still retain their heavy gates and some adhere to the traditional routine of bolting the gates at sunset against bandits. Village houses in the New Territories are known as "ancestral property" and are handed down from father to son and almost without exception occupied by the owner, who pays a small annual Crown rent to Government. They are usually built of locally made blue brick or cut granite with a tiled roof and cement floor though some of the poorer type are built of sun-dried mud-brick faced with plaster.

A typical village dwelling consists of one ground floor room, entrance being made through the front door—there is no back door—into a partially roofed-over space, one side of which is reserved for cooking, and the other side for storage of dried grass, the principal fuel. An inner door gives entrance to the single room, the rear portion of which is screened off with wooden partitions for the use as a bedroom. Over this rear portion, raised some 8 feet above floor level, is a wooden platform or gallery known as the "cockloft", which is used for storage purposes or for extra sleeping accommodation if the family is large. The house has no ceiling, except the rafters and tiles, and no chimney. Windows are rare.

Dwellings are sometimes built in rows of a dozen or so in the larger villages, with the front of one row facing the back of another row; whilst at other times they are built haphazard to conform with "Fung Shui" (wind and water"), a form of Chinese necromancy which traditionally governs the siting of dwellings and graves. The streets between the dwellings are usually not more than six to eight feet wide, and the drainage is primitive. Lavatories are erected apart from the dwellings and are similar, though inferior, to those still found attached to some rural cottages in the United Kingdom. The houses are for the most part kept in reasonable re-

EXCHANGE & FINANCIAL MARKETS

US\$ BUSINESS

Once the visiting U.S. Navy pulled out the depressed prices for U.S. notes improved and so did quotations for drafts and funds in New York. Highest and lowest prices for last week: (in H.K.\$ per U.S.\$ 100) notes 518-503; drafts 526-505; T.T. 530-514. The local cross rate at the end of last week stood at U.S.\$3.03 per £.

Shanghai refugees and merchants brought with them U.S.\$ in notes, draft, credits which they, to some extent, offered in the unofficial exchange market. Overseas Chinese returnees also offered larger amounts in notes and drafts.

Merchant demand was relatively small on account of overstocking in commercial cargo. Considerable quantities of goods previously imported into Shanghai but denied admittance since they were not covered by import permits have already arrived here and more are expected to come. These goods which the local market is taking up have mostly originated in the U.S. Sales, however, will be slow. For some time to come merchant demand for U.S.\$ will remain on the present low level.

Some speculative and investment buying of credits in New York has recommenced. Periodic rumours about sterling devaluation are backing such investment purchases. It appears however certain that there will be no devaluation and that the current cross rate will remain in force for a long time to come. Nevertheless, speculators believe that the unofficial rate for

pair and the structural design is never altered. Furnishings consist usually of trestle beds, perhaps a table, and a few small stools.

European Residents

In normal times the European resident lives in a suburban-type villa, flat or small house not unlike the equivalent in the United Kingdom. Increasing numbers of permanent Chinese residents also favour the European type of house. The Kowloon European-type suburbs developed extensively during the period of 1930-1940, the houses built being not unlike those in an average London suburb with the addition of servants' quarters and, in most cases, of the verandahs which the semi-tropical climate requires. At the western end of the island of Hongkong the higher altitudes have been developed for European-type dwelling houses by a system of roads cut into the steep hillsides. The temperature at 1,200-1,400 feet is normally about 6° lower during summer months at sea-level but against this advantage must be set the higher humidity during the damp spring season.

sterling may undergo fluctuations which could be utilised. Investors, on the other hand, if they dispose of sufficient funds may find it a not imprudent hedge to keep some funds in the U.S. if purchases can be effected at an unofficial cross rate of U.S.\$3 and over.

U.S.\$ EXCHANGE ALLOCATION 1948

On Nov. 24, the Financial Secretary of Hongkong Govt. issued to importers in the Colony the following information:—

(1) In June of this year importers were asked to submit applications to the Supplies, Trade & Industry Dept. in respect of their imports from certain countries, and quotas were fixed covering the period July to December 1947 of the amount of official U.S. exchange which would be granted during the period for certain types of goods. It was hoped that time that the level of quotas granted could be maintained during 1948 and that other commodities would be added to the list as supplies became more readily available. Since that time the shortage of dollars in many countries has become acute and the position of the United Kingdom in this respect has steadily deteriorated.

(2) For a variety of reasons which are well known to merchants the U.S. dollar earnings of the Colony are extremely small and it is quite impossible for the Government to continue to allocate exchange on the scale previously granted out of the dollars that accrue from purchases by authorized banks. In view of the above it has been found necessary to restrict the approval of sales of U.S. dollar exchange to a very small range of imports, and for the present applications will only be considered which are in respect of raw or semi-finished materials for the factories in the Colony and certain types of building materials necessary for reconstruction.

(3) Quotas in respect of the types of commodities mentioned in the list as below will therefore not be granted for the first quarter of 1948, but the question for the second quarter will be reviewed in February. (While this list does not claim to be exhaustive it will be a guide to importers of the type of goods for which official exchange will not be granted).

(4) Importers will be permitted to sell U.S. dollar drafts and notes to their bankers, and A.E. forms submitted to Financial Secretary (Exchange Control) with a certificate of purchase by a bank which is a member of the Exchange Banks Association will generally be approved. The present arrangement by which importers are obliged to surrender an additional percentage in respect of certain commodities will be discontinued to a large

extent and authorisation for the opening of credits to cover the import of goods into Hongkong will in most cases be permitted against a bank's purchase certificate of an equivalent amount of U.S. currency.

(5) The Government very much regret the necessity of this restriction on the granting of official exchange but similar measures have been taken by all members of the sterling area, and many countries outside. Every effort will be made to change this policy should conditions make it possible but this must be dependent on circumstances over many of which this Government has little or no control.

LIST OF COMMODITIES for which official exchange will not be granted in respect of the quota for the first quarter of 1948:

Abalone	Beverages	Cameras
Car	Car spares and accessories	Clothing
Coffee	Dried fruit	Electric appliances
Food	Fountain pens	Fruit (fresh)
Haberdashery	Hardware	Ink
Leather	Milk	Office machines and equipment
Paper	Paraffin wax	Pharmaceuticals and toilet preparations
Photo materials	Photographic supplies or equipment	Piece goods
Radios and radio spares	Razors and blades	Refrigerators and air conditioning equipment
Stationery	Sewing machines	Tinned fruit
Tobacco and Cigarettes	Tools	Toys
Trucks	Tyres	Watches
Wool		

GOLD TRANSACTIONS

The local market was glutted with new gold and there were daily reports exciting bankers and brokers speaking of more shipments and contracts. The Macao gold rush has some Chaplinesque resemblance and would present good material for a film plot; there is a dash of everything in it except romance which might be the only fictitious addition necessary to make the suggested picture a thrilling adventure for the moviegoer.

The latest means of gold communications between America and Macao have now been established via the "bridge-head" of Saigon; gold is flown by chartered planes to Indochina from where the by now quite famous Catalina flying boat hauls the precious cargo into Macao. Manila and Bangkok remain old supply bases although the new regulations in Bangkok (requiring gold shipments in transit to leave Siam within 48 hours after arrival) have somewhat complicated this route.

What actually is unloaded in Macao is not even known to the Portuguese authorities who already failed to compile and publish the ordinary export-import returns. A Chinese banking firm in Macao, dealing principally in gold imports and leaving the export side to other less public organisations, keeps

statistics but, apart from being unofficial and probably not very accurate, these figures are disclosed only to the intimate circle of the select few. The unpublished *chronique scandaleuse* de Macao has much to gossip about the gold rush and an able pen should find it an intriguing task to put it down in writing, *in puris naturalibus*.

Total arrivals in Macao were estimated last week at around 40,000 ozs. (in two flying boat instalments) and some 30,000 ozs. were said to be en route from Saigon.

Local holders were selling out expecting to buy back at reduced cost. Much gold has made an appearance here in gold shops and at the various native banks which fact in addition to reports of more and bigger shipments expected at such-and-such a time, impressed the market sufficiently to induce a selling wave. Luckily for the panicky sellers the demand in China picked up and much gold was contracted for Shanghai, various South China places and Hunan. The forward market was very active and the turnover was unusually large. The spot market did a total of 21,020 taels only.

Gold prices averaged \$330 during the week, maximum and minimum prices were resp.: 340-327½. The gold cross rate moved around US\$52 to 52½ per troy oz. (based on the current TT New York price at which still almost all gold imports into Macao are contracted).

Shanghai's inflation drove gold prices up from CN\$6.1 million at the beginning of the week to 7¼ million at the close. The Shanghai approx. gold cross rate was around US\$58 per oz. Daily fluctuations in unofficial exchange rates make computations extremely difficult; however, on the whole one bar (of about 10 ozs.) sold at more or less US\$580.

Canton quoted one tael of gold from HK\$333 to 344; gold quotations are usually made in HK dollars with CN\$ rates being of secondary importance. Other South China gold markets quoted gold at approx. same prices. Amoy has developed steadily into a big exchange and many thousand taels are daily changing hands there. Amoy usually quotes 5 to 10% lower than Shanghai which is partly due to the higher domestic exchange value of the CN\$ of Amoy, and the provision made for transportation charges and commission for bringing gold from Amoy to Shanghai.

in transit having originally come from northern provinces where instability and civic insecurity have become almost intolerable for millions of people.

Canton has also proved a haven, temporary though it appears, for hundreds of billions of Chinese dollars and thousands of merchants and political or psychological escapist. HK\$ rates topped in Canton last week 22,500 but eventually settled around 20,700 to 21,000.

The local market's temper will be gauged from the week's highest and lowest bank note prices (in HK\$ per one million Chinese yuan):—spot: 60-49; forward: 57½-42. The lowest TT Shanghai rate was 39¼. To review the antics of the Chinese money market has become an invidious task; the figures speak for themselves, however.

The Canton money market, in spite of heavy shipments of CN\$ notes from the north, experienced some tightness which was caused by the public buying spree of gold, HK notes, certain imported and native exportable commodities. The native banks being the main source of loans for businessmen utilised this development to raise the daily and weekly interest; the customary rate of interest for one million CN\$ at the beginning of November stood at 8 per mille per day but was advanced after the middle of the month to 1.4 and then to 1.8 per centum per day. Weekly or monthly rate of interest is slightly cheaper but still amounts to some 25 to 50% per mensem, depending on the security and the connections of the borrowing personage. The fast tempo of CN\$ devaluation during the current month has encouraged speculators and many ordinary merchants to take up loans at almost any interest, gambling on the further and drastic drop in the value of CN\$ in terms of gold, foreign exchange and commodities.

HONGKONG'S TREASURE TRADE FOR OCTOBER

GOLD: There were no imports recorded for October and exports totalled \$305,426, viz. gold bars to Macao (still a backlog shipment) \$303,800; to South China \$1,050; and foreign gold coins to S. China \$576.

SILVER: There were no recorded imports for October. Exports went all to the U.S. viz. silver bars valued \$498,949, Chinese silver dollars valued \$14,817, and subsidiary silver coins \$4,217.

CHINESE DOLLAR SLUMP

The open market rate of the Foreign Exchange Equalisation Fund Committee was advanced last week to CN\$66,000 and CN\$203,000 for TT New York and London respectively; the official cross rate stood at US\$3.07.

Inflation skyrocketed the unofficial quotations of foreign currencies and gold and there was during the latter part of the week much uneasiness in Shanghai especially when shops and stores marked up their prices. The salaried classes are taken aback in dismay by this recurrent spectacle which knows no end.

The unofficial US\$ rate went up from about CN\$100,000 at the beginning of the week to 115, 130, 135, finally touching 140 ('000 have been omitted). When 140 were reached a slight reaction set in and the price settled, for a time, around 135. Drafts on New York, traveller cheques and TT sold higher than notes. North China quoted US notes higher than Shanghai; Peiping usually 5%, other cities, depending on the nervous state of the population, often 10 to 15% higher than Shanghai.

Hongkong currency in Shanghai was scarce but prospective travellers to the south were successful in acquiring still more. TT Hongkong sold in Shanghai at CN\$25,500 (highest for the week), notes somewhat less. More flight capital is moving out of Shanghai but some of it remained in Shanghai only

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

Nov.	Gold per Tael		CN\$ (per one million)						S'hai Canton		Notes	US\$ (per 100)		Guilder	Baht	Pound	
			Spot		Forward							Draft	T.T.				I.C.\$
			High	Low	High	Low	High	Low									
17	323 ¹ / ₂	327 ¹ / ₂	60	59	57 ¹ / ₂	54	53	58 ¹ / ₂	503	505	514	10 ³ / ₄	29	23 ¹ / ₂	12.60		
18	334 ¹ / ₂	329 ¹ / ₂	58 ¹ / ₂	58	54 ¹ / ₂	53	50	56 ¹ / ₂	509	513	520	10 ³ / ₄	29	23 ¹ / ₂	12.60		
19	340	333	57 ¹ / ₂	56 ¹ / ₂	54	48	49	56	517	519	530	10 ³ / ₄	29 ¹ / ₂	24 ¹ / ₂	12.60		
20	325 ¹ / ₂	330 ¹ / ₂	56	54 ¹ / ₂	48 ¹ / ₂	45	46	51 ¹ / ₂	513	524	528	10 ³ / ₄	28 ¹ / ₂	24 ¹ / ₂	12 ¹ / ₂		
21	332 ¹ / ₂	327 ¹ / ₂	52	49	43 ¹ / ₂	42	43 ¹ / ₂	46 ¹ / ₂	515	521	529	10 ³ / ₄	28	24 ¹ / ₂	12.70		
22	331	328	50	49	47	44 ¹ / ₂	44	45	512	520	529	10 ¹ / ₂	27 ³ / ₄	24 ¹ / ₂	12.80		

BANK NOTE MARKETS

Piastres were heavily transacted at the low rate of H.K.\$ 10¼ to 10½. Large parcels of notes have been shipped from here to Haiphong and also to Saigon either for making commercial purchases there or for certain financial transactions. Total cash sales for the week: 5,650,000 piastres.

The Siamese baht improved and remained firm at H.K.\$ 24¼ per 100 baht. The economic position of Siam is basically sound and the recent political change of regime may be regarded, unbiased by world war II sentiments, as conducive to a more stable internal position. The return of Marshal Songram is hailed by the Siamese as a patriotic feat; naturally, every over-dosis of patriotism smacks after fascism but this is, after all, the dominant trend in a large part of our world.

Bangkok quoted T.T. Hongkong much lower than during the previous week, the rate dropped from 4.10 to 3.85 baht per H.K.\$ 1. U.S. notes also dropped from 20½ to 19¼. Gold in Bangkok remained steady around 487 baht per one baht weight of 15 grams which price works out at 1,217 baht per local tael or, at the current T.T. rate, H.K.\$ 316 (against a local average gold price of \$330).

SILVER BUSINESS

Silver trading on the local market is conducted in three forms, ingots (refined, unrefined), bars and coins; the entire supply is coming from China.

Exports are absorbed now chiefly by New York, previously U.K. and Bombay. As silver is Government controlled in China and exports are outlawed except for official shipments, Hongkong's supply has to depend on underground channels from Canton, Swatow and Shanghai.

An average of 10,000 taels of silver are shipped into Hongkong daily by merchants from various South and Central Chinese cities, especially from the neighbouring city of Canton. Smuggling routes from Canton are many, by train, ship, junk and truck; but most transportation is handled via roads into the New Territories across the Chinese border with commercial trucks and other vehicles being used.

According to market quotations on Nov. 24, the price of silver in Canton was H.K.\$3.75 and in the Colony was H.K.\$3.93 per tael. For transporting every 1,000 taels into the Colony from the neighbouring city, traders have to pay between H.K.\$50 and H.K.\$80 transportation fees including "protection money" to influential transportation firms and Custom brokers in Canton which guarantee safe delivery of entrusted silver in Hongkong or else compensate the entire loss to traders.

On the basis of current prices, traders are able to make a profit of between H.K.\$100 and H.K.\$130 per every 1,000 taels of silver brought into the Colony from Canton.

The sizes and weights of silver ingots and bars differ, ranging from 25 to 100 taels per ingot or bar. The most common ones traded locally are 25 tael bars and ingots. A 25-tael bar measures about 6 inches in length, 4 in. in width and 4 in. in thickness.

Each Chinese silver dollar coin (principally of the mint of Yuan Shih-kai dollars) weighs .72 taels and is worth currently H.K.\$2.50 on the local market. Due to the small transactional turnover the Hongkong Gold and Silver Exchange Society has not been taking care of silver deals at its daily market sessions: the transactions are chiefly in the hands of a few native banks, exchange shops, silversmiths, and also some trading firms who are not connected with the Society.

The biggest operators here are the firm of C. S. Ling & Co., the Heng Sang Bank, the Wing Tai Hong and the Hsin Hong. Like many other native banks and silversmiths and exchange shops, the Heng Sang Bank, the Wing Tai Hong and the Hsin Hong operate both ways, i.e. buying and selling. However, the C. S. Ling & Co. conduct purchases only since it is one of the principal firms exporting silver to Bombay and New York.

In accordance with the local US\$ unofficial quotations and the Bombay and New York silver market prices, the firm of C. S. Ling & Co. arrive at the local buying and selling quotations for silver bars, ingots and coins. For the past four months, silver prices in Bombay have been weaker than the New York quotations and silver imports into India are now prohibited; therefore, practically all outward silver shipments of the Colony were diverted to New York instead of to Bombay which, before August, was our main silver market.

New York silver quotations have been around an equivalent of HK\$4.40 and HK\$4.50 per tael, which enabled local exporters to net profits ranging from HK\$3,500 to HK\$3,700 on every 10,000 taels of silver, after paying freight charges totalling HK\$1,000 for every 10,000 taels. Local silver trading circles report that the principal silver exporter has netted about HK\$500,000 profit from its exports of silver to New York in the past three months.

When trading of silver between here and India was flourishing many local Indian merchants were active in buying up silver. Very little business is being done by these Indian firms since India's import embargo.

Local native banks occasionally also sent out silver shipments to India for the purpose of covering their remittance business; when their agents in India are short of cash. They, however, never exported silver to India for other purposes.

Among the local native banks, exchange shops and silversmiths, the most active ones in silver trading are those owned and financed by natives of the Chiuchao district and Swatow.

The present silver stock in the Colony is very low, around 100,000 taels, and its daily turnover is roughly 10,000 taels. The supply is regular but comprises usually small quantities owing to controls sometimes enforced by Chinese authorities. The supply often cannot meet the volume of demand. Exporters often cannot succeed purchasing larger quantities of silver from the local market. All silver trading is done on the spot market and there are no forward quotations available.

Quotations on Nov. 24:—New York 74½ cents, London 45d. spot, 44¼d. forward, per fine ounce.

FINANCING OF TRADE WITH KOREA

Under existing procedures, foreign trade between South Korea and other countries continues to be conducted on a direct or delayed barter basis with a minimum of government restrictions or controls consistent with the safeguarding of South Korea's economy. This system has been devised to increase the volume of imports and exports and to bring about a better balance of private trading, before an international exchange rate for the South Korean currency is established.

Under this system, exports through private trade channels will not be permitted to leave South Korea until they have been compensated for by imported goods, or by acceptable foreign exchange.

If exports are sold abroad for foreign exchange, the South Korean Foreign Exchange Bank or its correspondent banks will collect and hold the proceeds. USAMGIK will permit the Korean exporter 180 days to use these proceeds for the purchase of approved imports; if they are not so utilized he will be reimbursed in Korean currency, and the foreign exchange in question will be made available to other importers.

The Department of Commerce, USAMGIK, supervise export and import trade and issue licences, but so long as exports are not sold for less than the set minimum price and imports are not bought for more than the maximum figure established, traders will be free to buy, sell, or barter within these limits. A general license to engage in foreign trade is not required.

The Department of Commerce, USAMGIK, select and announce periodically commodities acceptable for import into or export from South Korea. Emphasis is placed on importation of goods essential to the industrial development of this area, and exports of products deemed surplus in South Korea will be encouraged.

The lists of high-priority commodities approved by USAMGIK for import and export are subject to change without notice and are not all-inclusive; questions regarding items not included should be addressed to: Foreign Trade Division, Department of Commerce, Headquarters, USAMGIK, Seoul, Korea. The current lists were published in our issue of October 15, pp. 479/480.

The Hongkong trade mission of South Korea has wound up its affairs and the American representative will return to Seoul. Trade is now well advanced but greatly hampered because of the inability of local and Korean merchants to abandon the cumbersome barter basis.

While sterling is an "acceptable foreign exchange" and all Korean exports may be paid for in sterling (or H.K.\$), the fact that the Korean Foreign Exchange Bank has not yet appointed other than American banks as its foreign correspondents makes it impossible to conduct financial transactions with S. Korea. Not until USAMGIK has abandoned the present modus and instructed its S. Korean Foreign Exchange Bank to open accounts with, and appoint as correspondents British banks, can more normal trading between Hongkong (or for that matter any part of the British Empire) and S. Korea be expected.

TEMPORARY FINANCIAL AGREEMENT WITH JAPAN

On Nov. 15 an interim financial agreement between S.C.A.P. on behalf of the Japanese Govt. and the United Kingdom Govt. was concluded which provides for: (1) Opening of sterling accounts by S.C.A.P. in London (with Hongkong & Shanghai Banking Corp. and Chartered Bank of India, Australia & China). (2) Permitting all private trading between Japan and United Kingdom, British Empire (excluding Hongkong for the time being), Australia and New Zealand (excluding other dominions for the time being) to be conducted on a sterling basis, with Japanese exports proceeds paid into S.C.A.P.'s London account and holding these amounts at disposal of S.C.A.P. for financing British imports into Japan. (3) Balances in favour of S.C.A.P. are to be converted, upon request, into U.S. dollars after a period of six months.

British Govt. trading continues to be conducted on open account as before.

Hongkong Govt. and private traders continue to do business as before; see our issue of October 15, page 478. At present the Director (acting), Supplies, Trade & Industry Dept. and the head of the Industry Section of the same Dept. are negotiating in Tokyo with S.C.A.P. for the conclusion of an interim commercial and financial agreement suitable for the special trading position of this Colony.

The United Kingdom Govt. has to treat all imports from Japan in the same category with imports from hard currency countries as a consequence of the semi-annual conversion clause (see above point 3). The same applies to Hongkong where, as a consequence, imports from Japan have to be closely controlled in order to balance them with our exports to Japan which are relatively small although they have been augmented by some rubber shipments from Malaya to Japan part of which proceeds were credited to Hongkong account.

Negotiations for an overall agreement between the British and U.S. Governments have been in progress in Washington for several months. Pending the re-establishment of a foreign exchange rate of the Yen and the drafting of the peace treaty with Japan no satisfactory conclusion of these negotiations can possibly be expected.

Meanwhile the Japanese Govt., anxious to revive the nation's foreign trade, is planning to institute various makeshift measures such as the establishment of a conversion exchange rate system. Japan's Board of Trade (Boeki-Cho) has advanced such plans in order to cover imports on the basis of exchange values rather than barter.

CHINESE MONEY IN COMMUNIST AREAS

In the newly acquired areas of North China the Communist authorities have, as is their regular procedure, established zonal governments, a practice which is also dictated by geographic necessities; considerable portions of Communist controlled areas are not contiguous and require therefore local administrations. A new border region government has come into existence earlier in November in the zone of North Honan, Shensi and Hupeh; it comprises 37 so-called democratic or peoples' district governments. Apart from other activities the new zonal government also issues bank notes which have an exchange value in C.N.\$. However, this local or zonal exchange rate fluctuates and it appears, over a period, to value higher than the C.N.\$. The usual rate of Chinese dollars of the Communist variety is 1 to, about 20 to 40 dollars of the Nanking National Govt.

The September exchange rate of the dollar of the zonal government of Shansi-Hopei-Shantung-Honan (the oldest of Communist-led border governments in North China) averaged one per C.N.\$25. On Oct. 31 a border govt. dollar bought C.N.\$23.20 at the commercial cities of Linching (Shantung) and Nankung (Hopei). In the area of Shihchiachuang, the important railway centre which was recently the scene of most violent fighting and

eventually fell to the Communist army, one border dollar exchanged at C.N.\$40.

In Manchuria, which is to over 90% under control of the Communist-led govt., no C.N.\$ circulate and this is also the case in those North China areas which have been for years under Communist control.

FACILITIES FOR IMPORT REGISTRATION IN CHINA

Seeking registration as qualified importers, agents in China, representing foreign exporters, have been urging their principals to provide information required by the Chinese trade-control authorities.

Chinese import regulations require licenses for all permitted imports. Only registered importers are eligible to apply for import licences, and some firms in Shanghai have been obliged to obtain letters of certification from the various foreign consular officials as a prerequisite to registration. This certification includes a statement that the local firm in China is known to be the agent of an American or European firm of good reputation. Inasmuch as foreign consulates do not always have the basic information necessary to write such letters of certification, it is suggested that exporting firms provide their agents with mercantile credit reports or letters from their banks, together with a notarized letter showing that the firm in China is their agent.

Documents of this type, placed in the hands of agents in China, will enable the consular officials to assist them in registering as importers qualified to apply for import licenses and to participate in the allocation of import quotas.

BANK OF CANTON MANAGER IN THE U.S.

Mr. S. M. Chan, manager of the Bank of Canton whose head office is in Hongkong has recently left for the U.S. where he intends to establish new connections for future development of trade between Hongkong, China and America. Mr. Chan's main efforts are directed toward arranging for improvement of importation of textiles and foodstuffs into China. In addition, he will investigate the possibilities of exporting firecrackers and feathers to the U.S. Mr. Chan is visiting San Francisco, Los Angeles, Chicago, Detroit, Philadelphia, New York, Baltimore and Washington. The Bank of Canton has an office in San Francisco.

INDUSTRIAL NOTES & REPORTS

PROGRESS OF COTTON SPINNING INDUSTRY

Before next summer the Colony will witness the operation of four cotton yarn spinning mills which will be capable of producing a total of about 80 bales of mainly 20's cotton yarn daily under 24-hour (2 shifts) operation by some 1,500 workers. For the first time introduced into Hongkong, the cotton spinning industry will undoubtedly contribute considerably towards the postwar industrialisation progress of the Colony; it will give new employment to hundreds of local labourers and facilitate the local cotton yarn supply which has until now depended on Japanese and Shanghai shipments which partly cost US\$ and were regarded as expensive.

As reported in our issues of August 20 and October 15, the South China Textile Co. will operate 5,000 spindles producing 12 bales daily and the Hongkong Cotton Mills will operate 8,000 spindles turning out only some 18 bales. The South China Textile Co. was originally expected to start operation at the beginning of this month. All the machinery of this mill has not yet started. Several test runs have been conducted but the results were not satisfactory. The management decided to postpone producing cotton yarn until its engineers can overcome the technical difficulties (climate, atmosphere and insufficient skill of workers).

The management of the mill engaged about 50 female workers from Canton who were supposedly skilled. However, they proved to be only semi-skilled being not adaptable to the modern method of spinning. The management has already sent these workers back to Canton after paying their travelling expenses both ways and their wages. It now intends to bring skilled labourers from Shanghai to operate the mill and train unskilled local recruits.

Owing to the difficulty in overcoming Hongkong's trying climate for cotton yarn spinning, the factory has thus far been unable to produce standard yarn during the several experiments it has conducted. Cotton yarn produced during these tests proved to be easily broken up due to dampness of weather. The factory is continuing experiments and the results are now awaited by management and also the owners of other mills due to commence operations here.

With all its machinery scheduled to arrive here sometime next month, the Hongkong Cotton Mills expects to start part operation by the beginning of January. The management of this factory is more confident than the South China Textile Co. in the success of its production since its machinery ordered from the United

Kingdom is modern and all new. The factory anticipates the time of full operation by March 1948 after two months of experimental working during which time about 100 skilled Shanghai labourers will be employed who also will be training 300 locally recruited unskilled workers.

Labour Legislation

Seeing the difficulties facing the management in operating their future mills satisfactorily and profitably, which are partly due to local labour protecting legislation forbidding employment of female workers after 8 p.m. and before 7 a.m. in accordance with the international labour regulations, the local labour authorities have shown sympathetic and considerate understanding and have made necessary arrangements for the mills to employ female labourers one hour earlier in the morning and two hours later in the evening, namely extending the working period from 6 a.m. to 10 p.m. It is expected that such an extension will not be granted to other industries to avoid the abuse of such privileges. The Hongkong labour authorities are scheduled to bring this matter before Legislative Council and seek its approval for amending the respective law in the near future to enable the better operation of cotton yarn spinning mills.

The question which now remains is whether the mills should stop operation after 10 p.m. or may engage male workers to continue between 10 p.m. and 6 a.m. in order to keep up a 24-hour working basis. Another problem for the mills is the period for female workers: since there are 14 hours in the period between 6 a.m. and 10 p.m. it may be impractical to employ two shifts during the 14 hours, while on the other hand it will be too long a working period for the same female labourers to carry on with a 13 hours shift. (A one-hour tiffin is taken into consideration).

The mill owners are of the opinion that the Colony's labour cost is too high when compared with Shanghai. Local labour wages are generally about 150 to 170 percent higher while local labourers even if properly trained may not be—for some time at least—as efficient as Shanghai skilled workers.

The third cotton mill planned to be established here is called the Wyler Textiles Ltd. The company was registered with the Supreme Court's Registry under the Companies Ordinance as a limited company on October 15, 1947, and the following four shareholders, Messrs. Loh Tsong-ling, W. J. Tsong-ai, Loh Chou-sung and Elner Tsu were recorded.

More Mills

Closely connected with the Shun Sing Cotton Mills, the largest private owned cotton mills in China, these four Shanghai shareholders have paid up a total capital of HK\$15 million which is used for the establishment of the mill in Hongkong. The Company's paid up capital is the largest of all industries which started in the Colony since liberation.

The Company has paid \$800,000 for a site of 140,000 square feet in Ma-tauwei Road in Huenhom along the seafont. In addition much land is being reclaimed and when reclamation work is completed the area of the site will be 225,000 sq. feet. The reclamation costs of the Company will amount to another \$800,000.

The entire machinery, including 25,000 spindles of the latest type, ordered in the United States, cost US\$1.5 million. The spindles were, like many others, originally ordered for postwar operation in Shanghai. On account of the unstable political situation all over China and the depreciation of the Chinese currency, the Company chose the Colony as the most suitable field and decided to erect the factory here.

The machinery is the newest one-process combination, consisting of nearly 200 different kinds of machines for scuttling, carding, roving, and two stages of spinning. With 600 workers on the 24-hour run, the factory is scheduled to produce 35 bales of mainly 20's cotton yarn (400 pounds per bale) every day.

The reclamation of the land and the construction of its factory buildings are in the hands of Messrs. Leigh & Oranpe. The blueprints of the factory, which are the latest in design were made by Mr. D. Hindmarsh of Leigh & Oranpe.

The whole construction will consist of one U-shape factory building covering an area of 100,000 sq. feet, which was specially designed for operating the one-process machinery, one large warehouse, a workers' dormitory capable of accommodating 600 persons, and one large administration building.

Many aspects of the construction are new to Hongkong and some are even for the first time introduced in the Far East. The factory building will be windowless, artificially lighted and air conditioned to bring the degree of humidity and temperature inside the factory to the desired level best suited for the production of cotton yarn as well as to the health of the workers.

Working under the latest cold cathode lighting system which has just been perfected in the United States and which is for the first time

introduced in the Far East, workers of the factory will enjoy easier working conditions and their eye-sight will be better protected by this system than by natural sun lighting or ordinary lighting system. The cold cathode lighting does not produce as much heat as ordinary lighting systems and thus it will be easier to regulate humidity and temperature inside the factory. An air conditioning system will be installed.

Due to the shortage of steel, all structural supports of the roof of the factory building will be made of aluminium which is light and non-rusting and costs considerably less in maintenance. Such installations of aluminium structures have not yet been made more than a dozen times all over the world. Throughout the factory building, copper tubes will be installed as a system—also the first time in Hongkong—to detect smoke, in order to prevent any outbreak of fire. The smoke-detection tubes lead to the administration building and are constantly watched by a fire-preventive officer. Through a glass-bottle gadget the officer is able to detect whether any particular section of the factory building is over heated or in danger of a fire. Immediately after discovering smoke from any tube inside the glass bottle, a fire alarm can be raised and fire thus can be controlled before it actually starts. The factory will also have its own auxiliary power plant which can immediately be operated and undertake the power and lighting supply for the whole factory.

The cost for the factory building, quarters, offices and godown plus air conditioning and other systems, is estimated at \$7 million.

Nanyang Cotton Mills Ltd.

This mill is the fourth cotton spinning mill which is scheduled to start operation next year. There will be 15,000 spindles turning out cotton yarn for the use of the local weaving industry. The factory is to be erected on a site in Hunghom which district of Kowloon promises to develop into Hongkong's cotton industrial centre. A report on the Nanyang Cotton Mill is to appear in our next issue.

It is significant that all four cotton spinning mills which are to operate in Hongkong have been financed by industrialists from Shanghai. That much flight capital has come from China to Hongkong has been often commented upon here, in Shanghai and abroad. So far relatively little capital has been invested in productive enterprises, however, the Shanghai industrialists who are about to commence production in the Colony have shown the right spirit and there is no doubt that success will be theirs. The public here and Government are certainly welcoming the mill owners and will do their best to cooperate with the big cotton mills for their mutual benefit.

PROSPECTS OF HONGKONG TEXTILE INDUSTRY

The Colony's textile industry works chiefly for export trade and the local Chinese populace has to depend for its supplies of gowns, underwear, piece-goods, towels, cotton stockings and socks mainly on the mills of Shanghai. The reason for this is that Shanghai produced textile goods are cheaper in price and at least of equal quality with the locally made goods.

On the other hand, as Shanghai manufactured articles do not enjoy Imperial Preferences, they can hardly compete with Hongkong products in the countries of the British Empire.

The textile industry of the Colony comprises mainly cotton cloth weaving and knitting factories, underwear makers, towel, thread, hosiery makers and factories engaged in making labels, tapes and tapes-in-fit. Except for the thread industry which has been at a practical standstill for the past 10 months owing to the shortage of first grade cotton yarn from the United Kingdom, all other textile producers have been operating on a satisfactory level. Local underwear factories have been producing cheap quality singlets, vests and swimming costumes for export to Siam and Malaya, though a number of larger workshops remain unoperative or are only partially employed.

Cotton cloth weavers are doing a flourishing business and are unable to cope with steady demand from abroad, particularly from Malaya and Africa. The hosiery industry is enjoying a similar flourishing trade. Towel makers are doing at present less business, limiting their exports to South Seas areas only.

The Hongkong Chinese Textile Mills Association.

This Association takes care of the registration of all factories allied with the textile industry, while the Hongkong Cotton Cloth Manufacturers Association limits its memberships to only cotton cloth weaving mills. The H.K. Chinese Textile Mills Association has at present 387 member factories and the H.K. Cotton Cloth Manufacturers Association 270 members. It is estimated that there are another 100 small size workshops engaged in the textile industry which are registered with neither of these two associations. In all, there are today in the Colony 750 textile producing factories employing an estimated labour force of 9,000 male and female workers.

According to the membership lists of both associations, there are 283 cotton cloth weaving factories, 153 underwear factories, 35 hosiery workshops, five towel makers, three tapes workshops and each two thread, labels and tapes-in-fit factories, as well as about 172 make-up factories which

possess no machines. The about 100 factories which are not members of the two associations produce different textile goods mostly for local consumption.

The Hongkong Cotton Cloth Manufacturers Association

According to this Association's estimate its 270 member factories possess 2,570 power driven looms and 4,300 hand looms capable of producing an average of 800,000 yards of cloth every month in one shift of 12 hours daily.

Their capacity consumption (one shift) amounts to about 1.6 million lbs. of various counts of cotton yarn per month.

The 387 member factories of the Hongkong Chinese Textile Mills Association have a combined equipment of 3,946 machines which are capable of consuming about 5 million pounds of various counts of cotton yarn. The factories of both associations could consume approximately 16,000 bales of cotton yarn per month.

The cotton yarns required for capacity production by the members of H.K. Chinese Textile Mills Association are estimated in the following counts (per month):—246,300 pounds of 10's; 1,477,800 lbs. of 20's; 1,724,100 lbs. of 32's; 738,900 lbs. of 40's; 246,780 lbs. of 42's; 147,780 lbs. of 60's; 246,300 lbs. of 80's; and 98,520 lbs. 100's; making a total of 4,926,000 pounds of cotton yarn per month.

The high cost and low efficiency of labour are the main obstacles for the quicker improvement of the Colony's textile industry, whose products may thus be unable to compete with Shanghai textile manufacturers so long as local labour costs remain on the current level and labour efficiency and skill are not radically changed for the better.

Necessity for Improvement of Local Products

Shanghai's cost of production, on account of the progressing depreciation of the Chinese currency, has been considerably lower during the major part of this year. While this situation may change again, as had been the case during 1946, the fact remains that the quality of Shanghai produced textiles is, by and large, superior to the local output. During recent months the price difference between Shanghai and Hongkong fabrics was about 10% which was sufficient inducement to local retailers to stock up in Shanghai goods and dispose of local textiles to Far Eastern neighbours or to Empire countries (Imperial Preferences preparing a market for Hongkong manufacturers against which China exporters could not compete). Shops which cater

HONGKONG STOCK & SHARE MARKET

The week, Nov. 17 to Nov. 21, witnessed a reversal of the bear trend which commenced on October 17 exactly a month ago. Prices hardened through a fair general demand for scrip. On the buying tempo increasing, profit taking pared off some of the gains. However, it resulted in an increased volume over a wider range. At the close a firm undertone was reported particularly for the popular counters.

Close market observers opine that the behaviour of the market during the week provides good evidence of the attractiveness of the present price level from an investment point of view. They feel prices will work irregularly higher, because bullish factors are said to outweigh bearish ones.

The proposed increase of capital of the Dairy Farm Ice & Cold Storage

to the average Chinese customer show usually underwear, towels, hosiery, cloth for Chinese wearing apparel, etc. produced by Shanghai cotton mills.

The most important task of the local textile industry is the improvement of the quality of almost any textile which is produced. The three Chinese organisations which are mainly concerned with general and textile industrial promotion should set up a committee charged with a special job: the supervision and examination of local textile products, advice and technical assistance to the more backward factories, standardisation of certain articles destined for export, advancement of the technical skill and thus the tempo of workers. The three organisations are: H.K. Chinese Manufacturers Union, H.K. Chinese Textile Mills Association, and H.K. Cotton Cloth Manufacturers Association. There is an adequate staff of well trained textile engineers and experts available in Hongkong whose efforts and abilities ought to be pooled for the common advancement of the local textile industry.

Cost of living cannot be reduced for the time being which means that labour costs in local industries must necessarily remain around the present high level. It is of course obvious that world market prices are receding and that 1943 will witness considerable declines in certain raw materials and many services. Until these expected developments take place and ultimately influence the local cost of living index, no premature calculations by manufacturers should be made. The problem of higher or lower prices, at least for some time to come, will remain bound up with exchange rates, official and unofficial, and the intelligent utilisation of differences and exchange fluctuations may often lead to business where ordinarily no sale could be expected.

Co. was confirmed unanimously at an Extraordinary General Meeting held on the 21st Nov. The Chairman revealed that the present capital was inadequate to cope with the size of the undertaking, and the proposed offer of new shares at \$15 each to shareholders in the proportion of two new shares for every three shares now held was necessitated by expansion plans which will produce increased revenue during the coming year. Included in the plans are increased cold storage capacity embracing additional modern plant, additional heads of cattle, and rehabilitation of all the company's properties. In the opinion of several substantial shareholders the increase of the authorised capital will not adversely affect the cash distribution based on \$4 per share paid for the year 1946, in view of the Chairman's statement that it will add to the revenue of the company. Taking this figure as the future return the present price of \$90 will be equivalent to \$57.60 ex dividend for 1947 and ex rights to subscribe to new shares, thus yielding a return of approximately 7% per annum.

The Felix Ellis price index of twelve representative, active local stocks showed a net gain of 1.82 points for the week compared to the previous week's close. Day-by-day his averages were: Nov. 17, 149.67; Nov. 18, 150.39; Nov. 19, 150.46; Nov. 20, 150.55; Nov. 21, 150.40. During the month the high was 150.55 on the 20th, and the low was 148.58 on the 14th. The low for the year was 123.88, while the high was 155.82 reached on May 3.

BANKS: Sales were reported in H.K. BANKS at 1,910, 1,920, 1,950, 1,965, 1,990, 1,980, and again at 1,990, and in BANK OF EAST ASIA at 120.

INSURANCES: In this section the following business was reported: CANTONS at 370; UNIONS at 760, 770 and 775; UNDERWRITERS at 6% and 7.

DOCKS & GODOWNS: WHARFS had buyers at 215 cum rights with no business, while ex rights were traded in at 158, and the RIGHTS at 55. H.K. DOCKS had sales at 35 and 36%. S'HAU DOCKS came to business at 15½, 15, 16 and 15, and PROVIDENTS at 23, 24½, 24% and 24.

HOTELS & LANDS: Business in this section was recorded in, HOTELS at 25, 25½, 25.10, 24%; LANDS old at 80, 81 and 81½; LANDS new 78½; S'HAU LANDS at 6, 6¼, 6.35; HUMPHREYS at 30½. An interim dividend of \$4 for the year was declared by Chinese Estates, the shares standing at 190 nominal. There is no business done in these shares which are held firmly by a few shareholders.

UTILITIES: Good business was reported in this section. Business occurred in TRAMS at 24½, 25, 24.90,

24½, 25, 24%; 25, 24.90, 24%; STAR FERRYS at 130; CHINA LIGHTS old at 21½, 22, 21.85, 22, 21½, 22, 21% and the new at 16½; ELECTRICS at 50, 52½, 55, 54, 53½, 53¼, 54, 53½, 53¾, 54, 53¾, and the RIGHTS at 37, 37¼, 39½, 42½ and 41; TELEPHONES old at 40, 42, 42½ and 42, and new at 37¼, 37 and 37¼. YAU-MATI FERRYS were in demand up to 25 without attracting sellers.

INDUSTRIALS: CEMENTS old were traded in at 34 and 33.90 while the new shares came to business at 30½, 31 and 32. Sales were reported in DAIRY FARM at 88, 87½, 91, 90½, 91; WATSON at 72, 73, 75, 74, 73, 74, 73, 72½; and ROPES at 21½.

STORES: In this section sales were made in LANE CRAWFORD at 53, SINCERE at 8.60, CHINA EMPORIUM at 14 and KWONG SANG HONG at 205. SUN CO. was in continual demand at \$5.

Stock Exchange Reports

As we have pointed out in our issue of July 30, page 241, a member of the Committee of H.K. Stock Exchange Ltd. regularly issues to the daily press a short report covering business transactions of the week. This report is often reproduced without the source being mentioned thus encouraging a belief that the report did not emanate from the H.K. Stock Exchange Ltd. This practice has not met with the approval of all sharebrokers as was pointed out in our July 30 issue.

The report of the Committee of H.K. Stock Exchange Ltd. for the week ending Nov. 21 reads:—

"The market opened steadily on Monday (17th) gaining strength during the day, ending with a dearth of scrip. This was followed by a spate of buying with prices hardening. Profit taking, however, found buyers unresponsive, prices and volume of turnover both easing off. The market has become erratic. Demand has since fallen away, but offerings have not been heavy. Some gains, though not fully maintained, show an improvement at the close over those of last week."

DAIRY FARM, ICE & COLD STORAGE CO., LTD.

An extraordinary meeting of shareholders was held on Nov. 21, which resolved that the authorised capital is to be increased to \$7½ million (from \$2¼ million, divided into 300,000 shares of \$7½ each, of which only 293,335 shares were issued) by creating 700,000 new shares of \$7½ each.

The paid-up capital will amount to \$3,666,690 (488,892 shares of \$7½ each nominal value) as the Company will issue (a) the still unissued 6,665 shares of the present authorised capital and (b) 188,892 new shares from the 700,000 newly created shares.

The old unissued and the newly created shares totalling 196,557 shares will be offered at their nominal value of \$7½ plus a 100% premium, making \$15 per share.

Thus the Company is going to raise new capital of \$2,933,355 (half of which is represented by the premium) which is to be used for expansion of business. Every three old shares are entitled to buy two new shares, and new shares will rank for dividend as from April 1, 1948.

Regarding the prospects of the Company the Chairman (Mr N. O. C. Marsh) stated:—"Unless adverse circumstances develop which cannot now be foreseen, a fair return on the Company's increased capital and a correspondingly fair return in the form of dividends to shareholders can reasonably be expected. It can also be anticipated with confidence that the bulk of the capital expenditure contemplated will in due course considerably increase the revenue-earning capacity of the Company."

Outlining the requirements of the Company for fresh capital, the Chairman said: The position is that our estimated commitments in respect of the East Point cold store, the purchase of cattle, the replacing of worn and outdated refrigerating plant, the balance of expenditure required on the Peak Garage and flats, sundry other minor projects of

a capital nature and also in respect of essential repair and rehabilitation work, all of which will require the provision of liquid resources to the extent of approximately \$3,000,000.

The authorised capital of the Company now stands at the comparatively low figure, by present-day standards, of 2½ million, while the issued capital is just over \$2,200,000. Both of these figures are lower than the total written-down value of the fixed assets of the Company at date of the last balance sheet and are quite out of line with the present revenue-earning capacity of the Company, and with the revised fixed assets position which will result from the purchase of the capital assets.

The free cash resources which it is estimated the Company will have in hand at the close of its present financial year, together with the free liquid profits estimated to become available during the ensuing year, are likely to fall considerably short of the approximate total of \$3,000,000 which will be required to meet the heavy but essential expenditure, chiefly of a capital nature, to which the Company is committed. In short, the Company now finds itself in a heavily under-capitalised position and its activities and capital expansion are being greatly handicapped by lack of capital funds.

FAR EASTERN ECONOMIC REPORTS

MANCHURIA COAL PRODUCTION

Largely destroyed during the war and abandoned since August 1945, the coal mines of Northeast China (Manchuria) were producing at the monthly rate of 194,000 metric tons as of July 1946. At the beginning of this year production was estimated at a monthly output averaging 400,000 metric tons for the eight principal mines (Fushun, Fuhsin, Peipiao, Hsian, Penhsihu, Yental, Yingchengtzu, and Salmachieh) taken over by the National Government. Production of principal coal mines in Manchuria in 1944 amounted to 25,626,704 metric tons.

Eighty-three percent of the coal from Northeast China is bituminous, the remainder being lignites and anthracites. Northeast China coal, except that from Fushun, Mishan, Penhsihu and a few other mines, contains a large proportion of ash and stones. For industrial use, Mishan coal ranks first in quality and quantity.

Decreased output reported from Fushun and a few other mines since 1939 indicates that the highest peak of operation in these mines has already been reached. On the other hand, production of coal from Fuhsin, Mishan, Hokang, Peipiao, and many other mines is showing a constant increase. Future demands apparently will be made on these newly exploited mines.

The cost of coal production in Northeast China is generally higher than in North China.

Consumption has been increasing yearly, especially in border towns. The largest demand is for heating purposes, and the demand of industries and communications is reported to be increasing.

Decreased exports of coal from the Northeast region and increasing imports from North China reflect the growing demand for coal and emphasize the necessity of either continuing importations from North China or amplifying the production capacity of the Mishan coal mines.

PAPER & PULP PRODUCTION

(1) Japan

Paper production in Japan was about 141,000 short tons during the first 6 months of 1947. Production in June totaled 29,900 tons, compared with monthly averages of 117,239 tons (a record high) in 1941, and 115,135 tons in 1937.

Pulp production approximated 134,200 tons during the first half of 1947. The June output amounted to 27,008 tons, compared with monthly averages of 70,391 tons in 1941 (the peak year) and 40,469 tons in 1937.

HONG KONG STOCK EXCHANGE TRANSACTIONS

for the week November 17 to 21:

Total sales amounted to \$3,436,457 against the four previous weeks' turnover of \$1,265,861; \$1,780,957; \$2,652,420; and \$3,248,171 respectively.

Rates for the Week
ending Nov. 21st:

Name of Stock	Total Sales (No. Shares)		Rates on Nov. 24:
	Highest	Lowest	
H.K. Bank	1,990	1,910	197
Bank of East Asia .. .	120	120	63
Union Insurance .. .	775	760	815
Canton Insurance .. .	370	370	500
China Underwriters .. .	7	6½	3,700
Waterboats .. .	47	47	200
Wharves x.R. .. .	158	158	100
" Rights .. .	55	55	185
Docks .. .	36½	35	2,204
Providents .. .	24½	22	2,676
H.K. Hotels .. .	25½	24½	6,700
H.K. Land Investment .. .	81½	80	2,413
H.K. Land Investment New Shares	78½	78½	1,737
Humphreys .. .	30½	30½	1,300
Tramways .. .	25	24½	10,440
Star Ferries .. .	130	130	300
H.K. Electrics .. .	55	50	7,643
" (Rights) .. .	43	37	3,722
China Light, old .. .	22	21½	18,450
" new .. .	16½	16½	1,134
Telephones (Old) .. .	42½	40	1,400
" (New) .. .	37½	37	1,400
Cements (Old) .. .	34	34	1,500
" (New) .. .	32	30½	2,150
Ropes .. .	21½	21½	250
Dairy Farm .. .	41	87½	1,690
Watsons .. .	75	72	3,300
Lane Crawford .. .	53	53	100
Sinceres .. .	8.60	8.60	500
Kwong Sang Hong .. .	205	205	100
Ewo Cotton .. .	13	12	4,700
Shanghai Lands .. .	6.35	6	7,560
Shanghai Docks .. .	16	15	2,000

(2) Southern Korea

Paper production in the United States Zone of Korea totaled roughly 550 short tons during the first quarter of 1947. Despite an increase over February, the March 1947 output continued at a low level of 200 tons, production having fluctuated during the past several months from a low of about 60 tons in December 1945 to a high of approximately 500 tons in September 1946. Shortages of pulp and chemicals were the chief obstacles which prevented a higher rate of production.

S. KOREA RAW SILK

Estimated production of raw silk in Korea in August 1947 has been placed at 71,857 pounds, as compared with 68,219 pounds by 31 filatures in July, and 44,702 pounds in June.

MALAYA INCOME TAX

The special income-tax adviser to the Government of the Malayan Union and Singapore submitted a report recommending a tax on individuals whose salaries or wages, including cost of living allowance, total \$2950 or more per month. Recommendation also was made that a flat rate of 20 percent be applied to profits of companies, but that no excess-profits tax be adopted. One of the reasons advanced for the adoption of a tax on income is the need of funds with which to meet claims arising from war-risk insurance and war damage. These two items total more than \$1 billion with only \$15 million in the insurance fund with which to meet these claims.

The Singapore Advisory Council agreed at a meeting on August 25, 1947, to refer the report to a joint committee of the Singapore and Malayan Union Advisory Councils. The Malayan Union, however, adopted a resolution that no committee be appointed to consider the report until a new legislative body has been set up under the proposed constitution. It is, therefore, impossible to state what action may be taken prior to the formation of the future legislative assembly of the Union. Protests against the imposition of income tax are frequent and not unlike those made in Hongkong before the introduction of income tax. The Chinese community is most emphatic about the proposed tax and desires it to be postponed.

NETHERLANDS BORNEO LUMBER

Plans have been made by a Dutch concern to establish an important lumber industry in Borneo, Netherlands Indies. Forest concessions have been extended to the company, and the exploitation of conifers is expected to comprise a large share of the lumber activities. An initial sum of approximately 2 million guilders is to be invested in a large sawmill, the productive capacity of which will be 120,000 cubic meters

HONGKONG'S TRADE IN OCTOBER 1947

IN MINERALS & ORES—TI
VEGETABLE OILS—BRINPLATES—ESSENTIAL AND
STLES—RAW RUBBER

MINERALS & ORES:

Countries	Wolframite		Exports	
	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	—	—	172	73500
S. China	2628	874225	—	—
Macao	862	254812	—	—
Siam	42	14700	—	—
Sweden	—	—	168	71988
U.S.A.	—	—	1665	609047
Korea	113	35250	—	—
Total	3645	1178987	2005	754535

Antimony, Regulus & Crude

Countries	Imports		Exports	
	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
N. Zealand	—	—	147	29794
S. China	9010	1362250	—	—
Macao	10	2000	74	3305
U.S.A.	—	—	16535	2645520
Total	9020	1364250	16756	2678619

Tin Slabs & Ingots
(Other than China)

Countries	Imports		Exports	
	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.S.A.	—	—	162	62798
Total	—	—	162	62798

Tin Slabs & Ingots (China)

Countries	Imports		Exports	
	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	—	—	252	102480
S. China	6663	2021000	—	—
Macao	504	160800	—	—
Philippines	—	—	168	69640
U.S.A.	—	—	12595	5142759
Total	7167	2181800	13015	5314879

of timber annually (1 cubic meter=424 board feet). An agreement already has been made whereby the lumber company will supply the Borneo Department of Public Works and Waterways with 20,000 cubic meters of timber annually for a period of 5 years. A cellulose factory as an industry auxiliary to the timber activities also is planned.

The Borneo government has been invited to participate, up to 30 percent of the total, in the capitalization of the entire enterprise. This venture is of vital concern to the authorities inasmuch as its success would encourage the further exploitation of the large timber resources of the country and would contribute materially to the prosperity and industrial growth of this underdeveloped area.

TINPLATES

Countries	Imports		Exports	
	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	1180	79743	—	—
M. China	—	—	300	28000
S. China	—	—	15	1400
Macao	—	—	543	49550
U.S.A.	7590	314098	—	—
Total	8770	393841	858	78950

ESSENTIAL OILS:

Aniseed Oil

Countries	Imports		Exports	
	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	—	—	295	73973
Australia	—	—	6	2205
Belgium	—	—	3	840
S. China	94	44190	—	—
France	—	—	843	273835
Indochina	—	—	6	2263
Siam	—	—	1	200
S. America	—	—	9	3213
U.S.A.	—	—	79	27300
Total	94	44190	1242	383834

Cassia Oil

Countries	Imports		Exports	
	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	—	—	22	22916
N. Zealand	—	—	3	3087
S. China	370	370570	—	—
Kwong Chow	—	—	—	—
Wan	3	2222	—	—
Macao	51	47669	—	—
Total	424	420461	25	26003

VEGETABLE OILS

Wood Oil in Drums

Countries	Imports		Exports	
	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	—	—	185	26880
Australia	—	—	1394	208799
Malaya	84	7693	116	18593
N. Zealand	—	—	219	34055
N. Borneo	—	—	7	1206
S. Africa	—	—	924	124640
Belgium	—	—	168	26880
N. China	1807	257567	—	—
S. China	37881	4494709	—	—
Indochina	205	26930	—	—
Philippines	—	—	2	330
Siam	—	—	84	13440
Switzerland	—	—	168	24024
U.S.A.	—	—	3213	582909
Total	39977	4786899	6480	1061756

Wood Oil in Bulk

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.S.A.	—	—	27474	3966173
Total	—	—	27474	3966172

**Vegetable Oils, N.O.E.
(mostly Rapeseed Oil)**

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	—	—	3314	504480
Belgium	—	—	5040	912240
S. China	54	7624	—	—
Holland	—	—	10752	1926960
Macao	15471	2490634	13	1322
N.E.I.	1680	176000	—	—
Philippines	2101	273750	—	—
Portugal	4	784	—	—
U.S.A.	—	—	3351	471338
Total	19310	2948792	22470	3816340

Tea Seed Oil

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	—	—	4033	819190
Belgium	—	—	168	34944
S. China	7828	1199463	—	—
Macao	783	129898	—	—
Total	8611	1329361	4201	854134

Soya Bean Oil

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Macao	—	—	2	264
Philippines	—	—	14	555
Total	—	—	16	819

Cocoa Nut Oil

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Malaya	7693	840964	—	—
N. Borneo	1658	156060	—	—
S. Africa	—	—	50	7157
Belgium	—	—	1613	201500
N. China	—	—	1585	179093
M. China	30	3479	829	102935
Egypt	—	—	710	92235
Holland	—	—	4941	642323
Italy	—	—	2599	282500
Japan	—	—	20640	2776530
Macao	—	—	526	58632
N.E.I.	4493	455000	—	—
Philippines	—	—	168	28896
Siam	27097	3461217	—	—
Total	40971	4916720	33661	4371801

Linseed Oil

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
India	185	29580	—	—
Malaya	100	16650	6	522
S. China	—	—	6	736
Total	285	46230	12	1258

H.K. COMMERCIAL MARKETS

Chinese wolfram, 65%, sold around \$390 per picul but quantities were small. Inquiry is evident. Business in anti-mony, around \$170 per picul, improved. Yunnan tin sold at \$450 per picul.

Cassia oil sales were reported around \$1,000 but imports are small. No aniseed oil business was reported. Vegetable oil arrivals were better than during recent quiet weeks; sales were reported at the following prices (per picul): tung oil 146, sesame seed oil 275, peanut oil 170, rape seed oil 146, tea seed oil 148. Malayan and Siamese cocoanut oil is offered in large quantities which reduced prices to \$114/115.

Peanut Oil

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
India	840	124000	—	—
Malaya	—	—	200	44000
Other	—	—	—	—
Empire	—	—	432	67857
Macao	1419	257071	—	—
Philippines	—	—	30	3000
Siam	2309	463950	—	—
U.S.A.	—	—	29	7000
Total	4568	845021	691	121857

Sesamum Oil

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
Malaya	—	—	10	2658
S. Africa	—	—	2	244
C. America	—	—	1	108
N.E.I.	—	—	3	298
Philippines	—	—	7	1510
U.S.A.	—	—	13	2940
Total	—	—	36	7758

BRISTLES

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	—	—	147	144470
Belgium	—	—	41	24700
S. China	325	298176	—	—
France	—	—	21	18440
Macao	32	10920	—	—
Siam	—	—	1	700
U.S.A.	—	—	331	332435
Total	357	309096	541	520745

RUBBER (Raw)

Countries	Imports		Exports	
	Quantity Piculs	Value \$	Quantity Piculs	Value \$
U.K.	11	2466	—	—
Ceylon	370	29504	—	—
Malaya	28540	2308270	—	—
N. Borneo	628	37960	—	—
N. China	—	—	714	61152
M. China	6	448	32	2873
S. China	—	—	6150	434913
Indochina	2810	204800	—	—
Macao	—	—	9335	603904
Siam	672	54000	—	—
U.S.A.	—	—	7115	613329
Korea	—	—	702	92550
Total	33037	2637448	24048	1808721

THE BUSINESS OF THE NATIONAL RESOURCES COMMISSION OF THE CHINESE GOVERNMENT

The position of heavy industries and mining in China during the period following the end of war was reviewed in a report to the People's Political Council by Dr. Wong Wen-hao, chairman of the National Resources Commission and a scientist of international repute. In the following a resume of Dr. Wong's report is being published.

We should also like to draw the attention of readers to the Survey of the Industries of China (in our issue No. 24) and the Survey of China's Mineral Resources (in our issues No. 27, 28 and the present one) compiled by Mr. James A. Rabbitt, an eminent authority on the industrial potential of China and Japan.

The National Resources Commission (N.R.C.) was set up to undertake State-operated industrial and mining enterprises, with a view gradually to develop State capital. The Commission stresses the development of State capital. It also makes every effort to help legitimate privately-owned enterprises.

During the war N.R.C. devoted itself to industrial and mining production to increase national fighting strength. After victory it took over some large-scale enemy and puppet property and enterprises in an effort to resume production. At the same time it started to establish some power plants and industrial and mining enterprises.

The enterprises undertaken by N.R.C. may be divided into ten categories:—Power plants, coal mining, mining, minerals, oil production, iron and steel work, metals and machinery, electric, chemical, cement and sugar manufacturing works.

(1) Power Plants

(A) Among the Japanese-operated power plants in the recovered areas, those in Manchuria or the North-East were the largest. The important hydro-electric power plants were those at Hsiaofengman, near Yungki, and Sulfeng, on the border of Korea. The former had a generating capacity of 560,000 kilowatts of electricity, and the latter could supply the North-East with 350,000 kilowatts. There were also coal-generated power plants, the North-East's generating capacity of electric power amounting to 2,000,000 kilowatts. But, after the Soviet campaign against the Japanese in the North-East, a great loss resulted from destruction and looting.

Moreover, as a result of Communist obstruction, the Hsiaofengman power plant is now capable of producing only 140,000 kilowatts; the Fushun power plant 30,000 kilowatts; and the other plants a total of 30,000 kilowatts.

(B) Important power supply enterprises south of the Great Wall are in the Peiping-Tientsin-Tangshan area in North Hopei. They have also been operated by N.R.C. personnel since the war ended. In this area the Japanese have done some reconstruction work. But the equipment, made in Japan, was old-fashioned. When N.R.C. took over only half of the generating capacity of 120,000 could be used. N.R.C. made every effort to increase the supply, one reaching more than 9,000 kilowatts. The plants failed because they wore out. Now that some spare parts have arrived from the United States conditions may improve. The No. 1 generator in Tientsin has been repaired and generator No. 2 will be in operation shortly.

(C) At its peak, Taiwan had a generating power capacity of 320,000 kilowatts. Owing to Allied bombings a greater part of the power plant equipment was destroyed or damaged. After the Japanese surrender, only 40,000 kilowatts of electricity were available. Today the electric power capacity of Taiwan reaches 130,000 kilowatts (180,000 kilowatts if the unused coal-generated power plants are included), a sufficient supply for the whole province.

(D) It is the duty of N.R.C. to construct more water power plants. In addition to the completed small-scale plants in Sining, Tienshui, Hanchung, Ichang, Changshou and Wanhshien, water power plants in Lunehchiho, in Szechwan, and Siuwen, in Kweichow, are being built. Moreover, those in Wulai in Taiwan and Hsiaofengman in Kirin have been restored and completed.

(E) Next is the problem of Y.V.A. The surveying work and necessary preparations have long been started. Most of the actual surveying has been completed. Much of the geological work has been done. Boring, which is very difficult, will start as soon as foreign experts arrive. The work of design began long ago in the United States with the participation of 60 Chinese engineers. But, the carrying out of the plan needs an enormous amount of United States currency. The construction, including the building of a navigable dam, which requires U.S.\$1.3 billion, will reach three or four billion United States dollars, including the erection of power plants and power supply lines. It is impossible to start such a great task at this time, and it is considered advisable to stop surveying so as to save foreign exchange.

(F) Other power plants managed by N.R.C. since the war ended are those in Wuchang, Tayeh, Canton, Hainan, Tsingtao, Kalkan, Shihkia, chwang, Paoting and Anking. The

total electric power supply of China is about 900,000 kilowatts, of which about 570,000 kilowatts is produced by plants under N.R.C., that is, about 63 per cent. of the total.

(2) Coal Mining

(A) In the North-East, of the ten major coal mines left by the Japanese, collieries already taken over include those at Fushun, Penchi, Hsian, Peipiao and Fushin. Installations at these mines have been partly dismantled since the end of the war, causing a great reduction in their production as compared with the early days. The coal mines of Pushun, originally produced over 10,000,000 tons of bituminous coal yearly. At present, the daily output is no more than 6,000 tons, roughly corresponding to the production at Fushin, where only 15,000 workers are employed, as compared with 45,000 at Fushun.

(B) The coal mines at Tatung in Shansi originally had many installations under Japanese management. When N.R.C. sent delegates to take them over after negotiations with the Shansi Provincial Government, there was little left after Communist destruction, and native methods of mining had to be used to produce the urgently needed supply. Another coal mine at Chihpo in Shantung, restored its normal daily output of more than 1,600 tons. Apart from supplying Tsingtao, coal from this mine has been stored in considerable quantities for transportation to Shanghai. But the plan was upset when it fell into Communist hands. The Tsingsing coal mine in Hopei increased its production from 1,000 tons to 2,000 tons daily. This mine is directly providing employment for more than 10,000 persons, but it also fell into Communist hands.

(C) In regions further to the South, coal mines operated by N.R.C. include Siangtan in Hunan, Kaokang in Kiangsi Weiuyuan in Szechwan and Yiliang in Yunnan. But these mines, established in war-time, are working under the handicaps of obsolete machinery and lack of equipment. N.R.C. obtained some machinery through CNRRA, but it still falls far short of meeting the requirements.

(D) The total output of all coal mines in the North-East and the South during the current year is expected to reach 7,000,000 tons, doubling last year's production. This is about one-third of the country's production.

(3) Petroleum

(A) In May, 1946, N.R.C. assumed sole management of all petroleum enterprises in the country, and established the Chinese Petroleum Corporation, Ltd. Brought under the unified control of this Corporation were the Kansu Petroleum Refining and Production Bureau, Szechwan Petroleum Prospecting Administration, and all petroleum projects taken over from the Japanese in Taiwan and the North-East.

(B) Survey work conducted by the Corporation to locate fresh resources is being carried out mainly in the North-West, Szechwan Province and in Taiwan. The North-West offers most prospects for petroleum industry and besides Yumen, where drilling is now being conducted, the survey will be extended to many places in that region. In Szechwan Province, so far, only four oil wells have been dug. Natural gas has been produced in considerable quantities. Drilling work for the rest of the year will be concentrated in the Lungchang and Kiangyu areas.

The Japanese drilled for oil for 40 years in Taiwan, but only some natural gas was found together with a small amount of crude oil. Since restoration of the island the central plains of Taiwan are being drilled.

Oil drilling and refining in Kansu Province was begun during war-time. The distilling plant has been modernised with a resulting increase in the percentage of petrol from 20 per cent. to 35 per cent. As this mineral oil can be processed into lubricating oil, plans are being made to set up additional installations. This year's output of petrol is expected to reach 4,000,000 gallons, that of paraffin oil 1,800,000 gallons, and diesel oil 6,000,000 gallons.

(C) Among the refinery plants, there is one of Kaohsiung in Taiwan, and another in the North-East. The latter is being repaired and is expected to resume operation during the latter part of the year. The Kaohsiung refinery is the main one at present.

To facilitate imports of crude oil from other countries, the Commission's Taiwan office has been requested to dredge the Kaohsiung Port to a depth of 29 feet. At the same time, oil pipes, extending 7½ miles, have been laid. It is expected that more than 8,000 barrels of crude oil can be refined daily (336,000 gallons). Once the plant has been completely repaired the total amount of oil that can be refined will be increased to 15,000 barrels and the output of petrol will be doubled.

(D) In all, the total Chinese output during the current year is expected to be 12,000,000 gallons of crude oil, 18,000,000 gallons of petrol, 15,000,000 gallons of paraffin oil, and 18,000,000 cubic feet of natural gas. The output of petrol will be about 20 per cent. of the total requirement in the country.

(E) The distribution of oil is equally important as its production. For storage, centres have been established in Shanghai, Nanking, Pukow, Tsingtao, Keelung and Canton. Others are being built at Ichang, Chungking, Kaohsiung and Hulutao. The total volume capacity of oil tanks when first taken over was 13,000,000 gallons. During the past year repair on dam-

aged tanks has resulted in an additional capacity of 14,000,000 gallons, while that of newly-established reservoirs totals 11,000,000 gallons. This brings the total volume capacity to 48,000,000 gallons.

In respect of transport, a China Old Steamship Company has been organised in co-operation with the China Merchants Steam Navigation Company, which has at its disposal four oil tankers, each with a tonnage of 10,000 tons, and 18 other vessels, each with a tonnage of 1,200 tons. Inland and coastal transport for foreign oil companies is also to be undertaken by this Company.

(4) Iron and Steel

The centres of China's iron and steel industries are Anshan in the North-East, Shihchingshan in North China and Tayeh in Hupeh Province:—

(A) Iron and steel industries in the North-East are concentrated in Anshan and Penchi. During the period of Japanese operation, the peak annual output totalled 2,500,000 tons of pig iron and 900,000 tons of steel bars. After V-J Day, the Penchi steel factories were almost completely dismantled and removed, only facilities for production of alloy steel were still available for further use. Furnaces of the Anshan factory were either being dismantled by the Soviet army, or dynamited by the Communists. Besides, other furnaces also needed repair.

The National Resources Commission has planned to make alloy steel at the Penchi mines. Steel rollers will be the first in operation with raw material already in stock. As a result, steel products can be manufactured to answer the great needs. Meanwhile, steel refining furnaces and iron welding furnaces will be repaired. According to estimates, total output for 1947 will be over over 30,000 tons of pig iron, over 70,000 tons of steel bars, over 80,000 tons of steel products and some 800 tons of alloy steel.

(B) The Japanese had also placed some additional equipment and machinery in the numerous steel and iron factories in North China. Machinery and equipment now available are the 250-ton blast furnace at Shichingshan, another furnace at Tientsin and the electric furnace at Tangshan. Part of the pig iron produced there will be transported to Shanghai, and the rest will be sent to the steel mill at Tientsin. Steel and iron plants at Tangshan are now in operation.

Total output of the North China plants this year is expected to be 30,000 tons of pig iron, 6,500 tons of steel bars, and 15,000 tons of steel products. Production at Shichingshan depends on a full supply of coke and iron filings. At present, owing to loss of the Tsingsing mine and other collieries to the Communists, the coal supply from Kailan has to be depended upon—and it is unreliable.

The combined output of the iron and steel industry in North China and the North-East this year is expected to reach 230,000 tons, which should be able to meet over one-third of the country's demands.

(C) Two 450-ton furnaces in the Tayeh factories were dismantled by the Japanese during the war, and can no longer be used. The construction of a new iron and steel factory on the old site, hereafter to be the centre of iron and steel production in Central China, has been suggested. The project could be realised partly through the reparation materials from Japan and partly through machinery and equipment to be purchased from the United States.

(D) Among the iron mines taken over, Hainan iron pits were the most important. The mines are in Tientu and Shihlu, having a total reserve of over 100,000,000 tons of high-quality ore. The Japanese during the war days had already made a rough sketch of the place and installed some necessary equipment there, but due to the lack of coal supply in South China the steel industry can hardly be fully developed.

(5) Cement Works

In pre-war China, due to the slow pace of China's industrial enterprises, yearly production of cement was only some 1,000,000 tons. Thus it is necessary to expand the cement industry in post-war China.

(A) N.R.C. took over many Japanese-operated cement factories after the war and established three such factories in Taiwan, North China and Liaoning. There are three cement works in Taiwan, in the north, centre and south of the island. Maximum yearly output could reach 700,000 tons. The present combined annual production of these three plants is estimated at 100,000 tons. After the installation of new machinery in the South Taiwan factory, the island's output can be stepped to some 400,000 tons.

(B) Under the North China Cement Company there were two plants, one in Liuliho in Hopei, and the other in Kinsi in Liaoning. These two had antiquated and worn-out equipment from Japan. The factory at Liuliho started operation in May, 1946, and total output last year was some 5,400 tons. The production rate this year is expected to be some 80,000 tons.

The Kinsi factory, after considerable dismantling and removal of installations, was renovated and started operation last February. The amount of cement produced in 1947 should be some 60,000 tons.

The Japanese operated a number of cement factories in Liaoning. However, after the war ended equipment in many of them was dismantled and removed and, at the same time, many of the buildings were destroyed. Up to

the present, only the Penchi and Hsiaotun factories are now in operation, with a combined output of some 300,000 tons. However, because of the removal of an 8,000 kilowatt generator, the Penchi factory relies heavily upon power from the outside. And, as a result, yearly production there is to be only some 25,000 tons for this year.

The Hsiaotun Cement Works has more modern equipment, but it resumed operation only recently owing to shortages of electricity and coal. Output this year from this factory should also be some 25,000 tons.

(C) The maximum potential output of cement in China is estimated at some 760,000 tons. According to the estimation made by N.R.C. the total output of the factories in Taiwan province, the North-East and North China can reach some 340,000 tons, about 45 per cent. of the yearly maximum production of the whole country.

(6) N.R.C.-Operated Industries

N.R.C.-operated industries occupy a predominant position in the nation's enterprises. To increase efficiency, the Commission has used the methods of private business establishments in operating Commission enterprises. This can be seen from the following summary:—

(A) *Organisation*:—N.R.C.-run industries can be divided into two groups. The first group comprises those operated solely by the Commission and joint enterprises of the Commission and other Government agencies. They include limited liability companies and old-fashioned mines and factories.

The second group comprises those with private capital participating. They were organised on the basis of limited liability companies in accordance with the provisions of the Company Law. Old-fashioned mines and factories will be reorganised into limited liability companies as time goes on in order to modernise all N.R.C. operated industries.

(B) *Personnel*:—In the employment of technical personnel, equal emphasis is put on the individual's technical skill and his understanding of the "Principle of People's Livelihood." The total number of workers in the employ of the Commission throughout the country is 220,000.

Staff members receive the same pay as other civil servants in Government agencies. Special allowances for the personnel actually engaged in production do not exceed one-third of the basic pay. Workers are paid according to the prevailing scale of each locality. In some instances, they get less than those employed by prosperous businessmen.

(C) *Prices*:—As a rule, prices of N.R.C. products are lower than the prevailing market prices. Industries such as electricity, coal and petroleum are subject to price control enforced by Government, while price ceilings for iron and steel, caustic soda and sugar are set by N.R.C.

(D) *Business Conditions*:—In the fiscal year of 1946, income derived from sale of products totalled (in billions of Chinese dollars): 267.7 and the expenditures totalled 239.1, effecting a

net profit of 28.6, of which 23.8 has been sent to the Treasury. In the current year, with the increase of productive capacity, total income from the sale of products is expected to hit the 2,000 mark with an estimated net profit of more than 30.

(E) It has been the Commission's policy to operate large scale industries and mines already in existence and to set up new ones. But in the past, it also ran small mines and factories. These will be turned over to private management or local governments with the permission of Executive Yuan. So far, 26 units, including alcohol distilleries, chemical works, machine shops and power plants have been released. Sixteen more are being transferred to private individuals. Some of them are fairly large, such as the paper mills in Liaoning and Tientsin. Because of import control their success is assured.

HONGKONG OFFICIAL EXCHANGE RATES AGREED MERCHANT RATES

MAXIMUM SELLING		MINIMUM BUYING	
STERLING. 1/2 15/16	delivery within 1/3	1/32 T.T.	
	2 months with 1/3	1/16 O/D.	
	a cut of 1/32 1/3	3/32 30d/s.	
	for every further 3 months 1/3	1/8 60-90d/s.	
	forward.	5/32 120d/s.	
—Do—		1/3 1/8 O/D if under L/Credit.	
(East & South Africa)		1/3 3/16 O/L with L/Credit.	
—Do—		1/32nd up every 30d/s.	
(West Africa & West Indies)		1/3 5/16 O/D if under L/Credit.	
RUPEES (India)	82 %	1/3 3/8 O/D with L/Credit.	
		1/32nd up every 30d/s.	
		83 % T.T.	
		84 % O/D.	
		84 1/4 7 & 30d/s.	
		84 1/4 60d/s.	
		84 % 80d/s.	
—Do— (Rangoon)	82 %	All buying rates	
—Do— (Aden)	82 %	3/16th higher than India.	
		84 1/4 O/D if under L/Credit.	
		84 1/4 O/D without L/Credit.	
		84 3/4 30 & 60 d/s.	
STRAITS \$	53	53 % T.T. & O/D.	
		34 % 30 & 60d/s.	
U.S.\$	24 15/16	25 1/4 T.T.	
CANADIAN \$	delivery within 25	5/16 O/D—30d/s.	
	2 months with 25	3/8 60—90d/s.	
	a cut of 1/16 25		
	for every further 3 months forward.		
U.S.\$ NOTES		25 % (Banks to pay Insurance and Postage).	
AUSTRALIA,	1/6 1/2	1/6 % T.T.	
		1/6 15/16 O/D.	
NEW ZEALAND,	1/6 7/16	1/6 13/16 T.T.	
		1/6 7/8 O/D.	